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Imperial and Foreign News INDIAN FINANCE MINISTER RESIGNS

MR. NEHRU'S HINT OF FURTHER INQUIRY ON INSURANCE DEAL

From Our Own Correspondent

DELHI, Feb. 13. Mr. Nehru, Prime Minister of India, today accepted the resignation of his Finance Minister, Mr. T. T. Krishnamachari, and announced that he would himself take temporary charge of the Finance portfolio. The correspondence between them was published this morning at the same time as the report of the commission of inquiry into the affairs of the Life Insurance Corporation of India, which found that the Finance Minister "must fully and squarely accept responsibility" for the purchase by the corporation of about £1m. worth of shares from Mr. H. D. Mundhra, a "financial adventurer whose only ambition is to build up an industrial empire by dubious methods."

TRIBUTE TO WORK
In his letter, dated yesterday, accepting the Finance Minister's resignation, Mr. Nehru refers to the need for maintaining the "highest standards and conventions." He expresses the opinion that although the inquiry has not elicited "all the relevant facts connected with this unhappy matter," it is already clear that attention should be made in a proper manner with due safeguards, and for this "the Minister has to assume responsibility even though... so as you are concerned, I am myself convinced that your part in this matter was of the smallest." Mr. Nehru expresses deep regret at the breaking up of his association with Mr. Krishnamachari, and pays tribute to his signal services as Finance Minister in a difficult period.

Mr. Krishnamachari (whose letter is dated one week earlier, while denying that he at the time had knowledge of the transactions mentioned in the report) Secretary of the Finance Ministry, Mr. H. M. Patel, last June, recognizes that these must "attract the responsibility of the Minister." At a time when the Indian economy is under great strain, he says, the necessary measure of economic discipline can only be imposed by a Finance Minister whose moral and political prestige is high, and he therefore requests immediately to be relieved of his office.

BUDGET ALMOST READY
Mr. Krishnamachari emphasizes that the preparation of this year's budget (due to be presented on February 28) is nearly complete and that its presentation should involve no difficulty for his successor.

The report of Mr. Justice Chagla in his inquiry, running to 20,000 words, has trenchant criticism for almost every aspect of the Life Insurance Corporation's transactions with Mr. Mundhra. It would be clearly wrong, he states, for the corporation to utilize its funds for the benefit of an individual, and even more wrong for it to deal with an individual of doubtful financial reputation; but he finds that the overriding motive of the transaction was to relieve the "threatening financial difficulties" of Mr. Mundhra, who was known by the Finance Ministry to be a "financial adventurer, not interested in developing the industrial output of the country, but solely in 'being a financial wizard who can swallow up concern after concern.'"

"BAD INVESTMENT"
Mr. Mundhra had approached Mr. Patel on June 21, 1957, and informed him that he was in financial difficulties, with liabilities amounting to more than £2m. rupees (nearly £4m.) and assets of little over 15m. rupees; and suggested that the Life Insurance Corporation should "relieve" and "pressure on the markets and also upon himself" by purchasing 8m. rupees worth of shares in his concerns from himself, and another 3m. or 4m. rupees worth in the open market. After consultations between Mr. Patel, Mr. Kamat, chairman of the corporation, and Mr. Vaidyanathan, managing director, the corporation on June 25 purchased from Mr. Mundhra shares in six companies for a total of nearly 13m. rupees.

Mr. Justice Chagla finds that less than one-third of the shares purchased could be considered good investment, and nearly half must be held to be definitely bad. He rejects the submission of Mr. Patel that the purchases were necessary in order to stabilize the Calcutta stock market, and comments that, even assuming this to be the case, the duty of the corporation was to make its investments in the sole interests of policy-holders and not for any extraneous purpose. He finds that the price paid was "unwarranted by any business principle," and has seen no justification for the failure to consult the statutory investment committee of the corporation before the transaction.

LEADING PART
Coming to the question of responsibility, Mr. Justice Chagla has no hesitation in attributing the leading part in the transaction to Mr. Mundhra, and concludes that Mr. Vaidyanathan and Mr. Kamat, who were legally and technically responsible, were respectively "completely paralysed and 'overawed' by their senior colleague's superior intellect and more serious position" and the responsibility of Mr. Patel and the Finance Minister, he notes the conflict of evidence between the former, who gave evidence that the transaction had been discussed with the Minister, who had given his approval, and Mr. Krishnamachari, who only recalled Mr. Patel mentioning "some kind of offer" and asking him to refer to "look into it." He finds Mr. Patel's version to be "strongly supported by the probabilities of the case," and adds that, "in any case, it is clear that constitutionally the Minister is responsible for the action taken by his secretary."

Among his conclusions, Mr. Justice Chagla includes the strong recommendation that the Government should not interfere with the working of autonomous statutory corporations, and that where executive officers of such corporations are appointed from the Civil Service, it should be impressed on them that they should not permit themselves to be influenced by senior Government officials. Life insurance funds should be used only for the benefit of policy-holders, and not for any extraneous purpose, unless that purpose be "the larger interest of the country."

DEBATE IN PARLIAMENT
Observers in Delhi consider that the inquiry report and the resignation of Mr. Krishnamachari are unlikely to mark the end of the case. Although the report has implied no dishonourable motives, it offers no satisfactory explanation as to why Mr. Mundhra's financial difficulties should have been held to call for Government intervention, and it leaves the impression that was hasty, technically irregular, and financially imprudent.

Mr. Nehru's reference to eliciting "all the relevant facts" is taken to indicate that the Cabinet intends to pursue the investigation of affairs further. The Chagla report is to be debated by both Houses of Parliament within a few days, when Mr. Krishnamachari is expected to make a personal statement.

ARREST OF SUMATRA COLONELS ORDERED

GOVERNMENT BAN ON AIR TRAFFIC

JAKARTA, Feb. 13. The Indonesian central Government today took a series of measures against defiant central Sumatra, where the "young colonels" issued an ultimatum last Monday to Dr. Djuanda's Cabinet to resign. The measures were:—
The region was closed for all air traffic except the Air Force—by the Air Force chief, Air Vice-Marshal Suryadarma. All flights of the State-owned Garuda Indonesian Airways to the provincial capital, Padang, the oil centre of Pekanbaru, and Rengat were suspended. Tele-communications with central Sumatra were broken off.
To-night, in a broadcast, the Army chief, Major-General Nasution, ordered all security agencies immediately to arrest the four colonels, who were dishonourably discharged from the Army yesterday. The colonels were accused, among other things, of complicity in the attempt to assassinate President Sukarno in November.

PADANG REPLY
General Nasution said that the actions of some officers in central Sumatra amounted to a complete break with all accepted military ideas. "We have to be prepared to make sacrifices, and if necessary to sacrifice lives," he said.
One of the dismissed officers, Colonel Dahlan Djabek, said in a statement through the Padang radio to-night that President Sukarno for the acting President, Dr. Sartono should make use of the three remaining days before the colonels' ultimatum expired in view of "the grave consequences" of rejection. They demanded the dissolution of the present Cabinet and the formation of a new Government led by the former Vice-President, Dr. Hatta, and the Sultan of Jogjakarta.

COMMONWEALTH TRADE TALKS

HIGH HOPES IN OTTAWA

OTTAWA, Feb. 13. The Finance Minister, Mr. Fleming, announced in Toronto that the countries of the Commonwealth had now accepted the invitation of the Canadian Government to hold a trade and economic conference of Ministers in Canada this year—probably beginning in September. The conference, he said, offered a hope of results that would give a new significance to the Commonwealth relationship and strengthen Canada's primary production.
On trade, Mr. Fleming said that while no formal measures were contemplated, there was ample reason to encourage a policy which would help Britain earn more dollars with which she might purchase more Canadian agricultural products and finished goods.
Mr. J. Duncan, deputy leader of the trade mission to the United Kingdom, said that increased trade between Canada and the United Kingdom was essential. The mission had recognized that Canada's purchasing habits were becoming lopsided and it wished to bring about a better balance in the three-cornered relationship which included the United States.

TOBACCO WORKERS GO ON STRIKE

NAIROBI, Feb. 13.—The entire labour force of 700 men and women at the East African Tobacco Company's factory went on strike here to-day. They are claiming 30 days' holiday a year, instead of the present 10 days, and other benefits.—*Reuter.*

ANGLICANS' STATUS IN MALTA

FIRST REACTIONS TO PRIMATE'S SPEECH

MALTA, Feb. 13. There will not be any visible official reaction here to the Archbishop of Canterbury's allegations concerning Anglican rights in Malta until the publication on Saturday of *Lehen is-Sewera*, the Catholic Action newspaper, which generally reflects official Church opinion. The political view is that any indication of moves for greater liberty coming from Church's that are not Roman Catholic can only damage the cause of integration.
Newspaper opinion is exemplified by the *Times of Malta's* lead-line article this morning, contending that the Primate is evidently prepared to risk a charge of torpedoing an "imaginative Commonwealth experiment... by insisting on one point which the bulk of the population of these islands would never tolerate if it meant an infringement or a lessening of the Catholic Church's mission."
An article to-night in the *Torch*, the newspaper of the General Workers' Union, contending that it is the duty of the British Government on its negative policy in following the course to integration. The union was still convinced that integration is the only and the best solution for Malta, but it was beginning to feel that Britain's present policy was "to make it so difficult for us that we shall have to say no to the proposal of integration and save them the inconvenience of saying it themselves." The article added that the union would become as vociferous on the alternative of independence.

LIMIT ON TOLERATION

The main religious discriminatory legislation in Malta flows from the first law passed by the first Assembly when self-government was granted in 1921, which said that the Roman Catholic Apostolic religion is, as it has always been in the past, the religion of Malta and its dependencies. This clause in the 1927 constitution interprets this as meaning that other cults are tolerated, but are not allowed external manifestations of worship and proselytizing, but only worship within precincts meant for that purpose. The same applies to religious schools.
Processions in the streets, therefore, other than Roman Catholic processions are disallowed. The law of the land on marriage is canon law, which concerns only those marriages in which one at least of the contracting parties is a Roman Catholic. Marriages between persons who are not Roman Catholics, contracted according to their law, are recognized by the local law.

VILIFICATION PENALTIES

Discrimination exists in cases involving vilification of religion. Where the Roman Catholic religion is concerned, the liability is one to six months' imprisonment. In the case of other cults tolerated by the law it is one to three months. But the penalty for obstruction of a religious service is the same for all cults. Likewise, the law disallowing arrest of a minister while conducting a service, or of debtors in churches, is applicable to all denominations.
With regard to taxation, the official emoluments of the Governor and of the Bishop of Gozo are exempt. Also exempt is the income of any public educational institution or any ecclesiastical or charitable institution, trust, or other public foundation.
The Prime Minister, Mr. Mintoff, who is to attend Monday's sitting of the Assembly, when the position of Anglicans in Malta will be debated, has indicated that there may be no further sittings for a week or two. This may well mean that he will be leaving for business in London later in the week.

SEQUEL TO U.S. "EXPOSURE"

COMMITTEE AT WORK WITH ITS COUNSEL

WASHINGTON, Feb. 13. Washington to-day has been treated to the unusual spectacle of an investigating committee cross-examining its own counsel, who had alleged that Congressmen were preventing him from exposing the peccadilloes of members of the Federal Communications Commission. The counsel, Dr. Bern Schwartz, was discharged by the committee earlier this week, as he was for pushing his investigation too close into the privacies of Congress and the White House itself.
The hearings, which Dr. Schwartz's accusations have made into one of the noisiest features of the local political scene as an inquiry into the conduct of six main regulatory agencies to be conducted by the specially constituted—quite recently named House committee—legislative oversight. The regulatory agencies, which control such things as state commerce, securities and exchange power, and communications, have established by Congress at various times since the late nineteenth century, and grown in influence until they are now sometimes described as a "fourth arm of government."
They are meant to operate independently of both the Executive and Congress, they have quasi-judicial, quasi-legislative powers over the industries they regulate, in practice, however, they are sometimes subject to strong pressures both from Capitol Hill and the White House, and can also become "captive" of industries they are supposed to regulate.

OPPOSITION MET WITH

The present House investigating committee began its inquiries with the Federal Communications Commission, and Dr. Schwartz, according to his own account, found instances not only of the commissioners' accepting favours and gifts from communications industries, but also of strong pressures being exerted by what he called a "White House clique" in support of the claims of favoured applicants for highly valuable broadcasting licences.
As soon as he began to unearth such clues, however, he came up against strong opposition of members of his committee who, he claims, were anxious to "whitewash" the culprits. To the committee members Dr. Schwartz submitted a memorandum on the F.C.C. which contained accusations of wrongdoing on part of the commissioners.
Then a cloak-and-dagger note came in the proceedings. Dr. Schwartz, to ensure that the House would not be able to kill the whole investigation, at midnight took two suitcases of his files to Senator Morse (Democrat, Oregon), who in a communique returned them to the House not before he had found in them evidence, he said, to confirm his long-standing charge that the Eisenhower Administration had honeycombed with political immoralities.

GROUNDS FOR DISMISS

Mr. Morse is now promoting the Senate take up the trail, and in the meantime Dr. Schwartz is being cross-examined by the House committee, which is dealing with the substance under oath. He has been making to the President anyone else who would listen.
It now appears that Dr. Schwartz, professor of law at New York University, the committee grounds to dismiss his release of private documents as publicly uttering loose accusations. Those he accused had been given a chance to defend themselves. But he has made it impossible for Congress to avoid a full investigation into the regulatory agencies.

OLYMPIC COMMITTEE TO FIGHT LOTTERY

INCOME FROM FOOTBALL POOLS THREATENED

ROME, Feb. 13. The Italian Olympic Committee, which is the body responsible for organizing the 1960 Games in Rome, to-day began a protest campaign against the new State "super lottery," which will begin to operate this year.
The Olympic Committee draws its main income from the State-controlled football pools. A quarter of the money staked on these pools is returned to the bettors, 27 per cent. is taken by the State, and the remainder, less operating costs, is distributed among the winners. During the 1956-57 football season, Italy spent over £20m. on the pools, which allowed the construction of lavish stadiums and other sporting amenities.
The plans to finance the next Olympic Games, which were based on this income, are now in jeopardy. The Olympic Committee fears that the public will be won over to the new super lottery, which is a development of the old State lotto game, with its easy winning chances and huge prizes.
Lotto was first introduced in the Republic of Genoa four centuries ago. To-day it is played by an enormous number of Italians, especially among the working classes. Five numbers between one and 90 are drawn every Saturday from each of the 10 "wheels," which are called after the main Italian cities. The players who guess correctly some or all five of the numbers drawn from one or several of these "wheels" can win up to one million times their original stake.
The decrease in the amount spent on football pools is already upsetting the plans for financing the Games, and the committee has had to approach Italian banks for a loan.

DR. FUCHS REACHES MIDWAY DEPOT

WELLINGTON, Feb. 13. Dr. Fuchs and Sir Edmund Hillary reported to-day that they had reached Midway Depot, halfway between the South Pole and Scott Base, in their race with the Polar winter, but had been halted by "whitout." "Well with the party," Dr. Fuchs signalled.
Members of the Ross Sea Committee, controlling the New Zealand expedition, expressed delight at the distant news, and said that if the weather held there was no doubt that Dr. Fuchs would make good progress to Depot 480 and then over the well-marked path to Scott Base.
Dr. Fuchs is 400 miles to go. The party is now using the whitout delay for routine vehicle maintenance.—*Reuter.*

HERE LIMPS THE BRIDE

NEW YORK, Feb. 13. A wedding on Saturday at Rochester, New York, is to have some unusual features. The bride, Miss Suzanne Archibald, will be wearing a splint on her foot because of a toe broken in a motoring accident. The bridegroom, Mr. Edward Stanton, knocked unconscious in the same accident, is still suffering from concussion, and the maid of honour, who was also in the accident, has a black eye and a strained ankle. Four of the bridesmaids, victims of skating accidents, have each an arm in a sling, one because of a fractured humerus, the other because of a dislocated shoulder.

PROTECTING KENYA COMMUNITIES

COUNCIL OF STATE'S POWERS DEFINED

In a dispatch to the Acting Governor of Kenya, published yesterday as a White Paper (Cmd. 369), the Secretary of State for the Colonies (Mr. Lennox-Boyd) amplifies the constitutional changes that he first announced last November. It deals with the new Council of State and with nominations for the 12 specially elected members of the Legislative Council.
The Council of State, the dispatch says, "does not introduce a bicameral system of legislation in Kenya, nor will it interfere with the present powers of the Governor or the Secretary of State. Its province will be to review all legislation that comes before the Legislative Council, and to recommend any amendments which differentiate, in its opinion, between races or religions.
The Governor will have power to certify a measure as "urgently needed in the interests of the colony's security," in which case the Council must study and report on the Bill within a month.
The Governor will have power to nominate the Council will consist of a chairman and 10 members, nominated by the Governor on instructions from the Crown. Four members will serve for 10 years, three for seven years, and three for four years, presumably so that the Council can include citizens outside full-time politics. Though it will include members of all three races, these will not be chosen on any sectional principle, and will not represent particular communities.
The dispatch also states that nominations for the 12 specially elected members of the Legislative Council are to come from members of that council who are not public officers or themselves specially elected members. As announced last November, they will be elected by the Legislative Council sitting as an electoral college, they will be divided equally between the three racial groups, and their number may not be altered without the approval of the Council of State.

GOVERNOR TO NOMINATE

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NAIROBI BAN ON AFRICAN MEETINGS RAISED

NAIROBI, Feb. 13. The ban on African public political meetings in Nairobi will be lifted from February 20 (nominating day for African elections to the Kenya Legislative Council). A Government statement issued here to-day said that a meeting would be held on the subject of the issue of the usual licences by the District Commissioner.

INJURED FOOTBALLERS IMPROVING

MUSKIE, Feb. 13.—D. Edwards, the Manchester United footballer who was injured in the air crash here, was stated by Dr. G. Taylor, of British European Airways, to have shown a "dramatic improvement" to-day. Dr. Taylor said: "Edwards is conscious and talking. He asked for a drink and for an apple." He added that it would be two or three days before it could be known whether the present improvement in the player's condition would be maintained.
The doctor said that J. Berry, another of the injured players, "is quite a lot better today. He showed signs of consciousness during the night and spoke a little. His reflexes are returning."—*Reuter.*



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