1205

INDIAN COMMERCE

Vol — II No — 16 — 18

Apr — 1934
June 1934

526

526

Registered No. M. 2862.

INDIAN COMMERCE.

Editor: T. Kalyanasundram, D. Com., F. R. Econ. S. (Lond.)

Annual Subscription Rs. 3 | **Published on the 15th of every month.** | **Single copy As. 4.**

VOL. II. APRIAL 1934 No. 16

CONTENTS.

BUSINESS NOTICE.

Subscription:

Inland: Rs. 3 per annum, payable in advance, post free in India, Burma and Ceylon. If by V. P. P. Rs. 3-4-0. Single copy 4 as.

Foreign: 7sh. 6d. per annum, payable in advance, post free to any part of the world. As it is not possible to recover the subscription by V. P. P. from foreign subscribers they are requested to remit the annual subscription by means of British Postal Orders duly crossed and made payable to Mr. T. Kalyanasundram, Managing Editor, 'Indian Commerce", 267 West Masi Street, Madura, South India.

Contribution.

The Editor invites contributions to this Journal on subjects within its scope. Articles intended for publication should be clearly written, or if possible typewritten, on one side of the paper only and should bear the name and address of the writer, not necessarily for publication, but as a guarantee of good faith. Rejected manuscripts will be returned only if the necessary postage is enclosed.

Advertisement Rates.

(for single insertion)

	On ordinary page	*On wrapper*
Full page	...Rs. 12-0-0	Rs. 18-0-0
Half page	...Rs. 7-0 0	Rs. 10-0-0
Quarter page	Rs. 4-0-0	Rs. 6-0-0

For contract rates please write to:

THE MANGER,
'Indian Commerce',
Madura, (S. India).

and make the cabinet members in charge of them athinking and reconsider their positions in the light of the proceedings of the Federation.

We are glad to note that the subject of foreign trade has received the best attention at the hands of the President and he observes as follows: "One discouraging feature of India's foreign trade is the small share of Indians in it. Apart from ignorance of foreign conditions and traditional economic conservatism, the absence of an Indian exchange bank is the most serious handicap. There is no dearth of Exchange Banks in India, but they are all foreign institutions and the Indian merchants cannot hope to, and do not, get the same facilities from the British, American or Japanese Banks, as a Britisher, an American or a Japanese gets from the bank of his own nationality. Japan realised very early that an exchange bank of her own was necessary for developing her foreign trade and for her increasing the share of her own nationals in it. She started an exchange bank fully backed by her Government. I am convinced that, on identical grounds, an Indian exchange bank should be established with adequate assistance from the Government.' The state of affairs in India's foreign trade as described above is of course deplorable. The reason cited by him is ineed quite true and the formation of the Indian Exchange Bank cannot be postponed a minute longer. We have already pointed out in our June 1933 issue how important the formation of the Indian Exchange Bank is for the economic progress of the country. We would wish Mr. Sirkar had also cited as his reasons for the present small share of foreign trade in Indian hands the absence of the two more important allies to Indian Commerce, viz., an Indian Mercantile Marine to retain India's carrying trade for herself and an Indian Insurance Organisation to secure the Indian Maritime Insurance business *in toto*.

With regard to the formation of the Exchange Bank Mr. Sirkar observes that Government assistance is essential. We think that though such assistance may be of added advantage, it should not be supposed that without it an Exchange Bank of India could not be successfully and profitably run. Once the Bank is formed and put into working order the Government assistance could be easily sought or pressure may even be brought to bear upon the Government authorities to grant the necessary help. If the Indian Exchange Bank is to command the confidence of the commercial world and to successfully overcome the competition of the existing exchange banks in the country, it should have a large capital, say of about Rs 20 to Rs. 25 crores and have branches in all the sea port towns of importance throughout the world. The present moment is most opportune for the flotation of such a gigantic enterprise. Will Mr. Sirkar and others put their heads together and see that at any rate before the next annual meeting of the Federation takes place the Indian Exchange Bank is formed and it is put into working order?

The Future of Interest Rates.

Mr. J. M. Keynes, a distinguished economist and, we may also state, a master of predictive astrology in matters relating to commerce and business economics at the annual general meeting of the National Mutual Life Assurance Society, held on the 21st February last at 39 King Street London, observed that

the possibility of earning a 3½% on long-term gilt-edged securities is rather improbable and that the probable rate is not above 2½% and it may be even a little less. Considering the fact that he is a specialist having made a close study of interest problems, that he has also the added rare advantage of being a practical businessman by being the Chairman of a large Insurance Co., and that his past predictions with regard to the probable rates of interest have become true in the years 1932 and 1933, it naturally goes without saying that his statement deserves consideration in the interested quarters. His conclusions are based on the following grounds.

"In pre war days the resources of the banking system were somewhat rigidly linked to the gold reserves of the Bank of England. Open market operations were unimportant, and, broadly speaking, the assets of the clearing banks went up and down according as gold was moving into, or out of, the Bank of England. Now in times of good trade this country tended to expand, and in bad times to contract, its foreign lending more rapidly than its favourable balance; the effect of which on movements of gold was to prevent the assets of the Banks from increasing in good times, whilst sometimes the tendency for these assets to increase was actually stronger in times of depression.

"Today, however, the resources of the banks depend at least as much on changes in the volume of securities purchased by the Bank of England as on changes in the Bank's stock of gold. Thus the technique of management lately evolved by the bank puts it in its power to adjust the resources of the clearing banks to the needs of trade and employment.

"Moreover, in present circumstances, the increased basis of credit which the Bank of England would have to provide might prove to be moderate in amount. In the first place, part of the clearing banks' existing advances represents frozen rather than active credit, so that increased demands for current credit will be partly met by the repayment of old advances; whilst some of the largest concerns in the country are now much less dependent on bank borrowing than was the case with the constituent businesses out of which they have been formed. But apart from this, an increase of say £20 million in the Bank of England's assets would enable the clearing banks to increase their aggregate advances by 25% which should be fully adequate to all requirements unless there is to be a large rise in wages and other costs.

"It is clear, therefore, that there is no necessity for reviving trade to break the gild-edged market unless the authorities desire this to happen. So I return to the fundamental reasons, as I see them, why the authorities should in fact desire just the contrary.

"There is, surely, overwhelming evidence that even the present reduced rate of 3½% on long term gilt edged stocks is far above the equilibrium level—meaning by "equilibrium' the rate which is compatible with the full employment of our resources of men and of equipment. It is often forgotten that 3½% is much in excess of the average yield on Consols which ruled over the forty years previous to the war, namely, just under 3%, or even the average yield which ruled over the eighty years from 1835 to 1914, namely just over 3%. Yet during the nineteenth century the annual amount which the community was disposed to save when it was fully employed was much below what it is to-day; whereas the outlets for profitable investment were vastly greater on account of the rapid growth of population and the opening up of new worlds overseas With the opportunities for safe and profitable investment abroad greatly curtailed, as much by the unfortunate results of past investment as by the diminished opportunities for new investment, Great Britain and the United States would, if they were to return to the full employment of their resources, save sums so vast that they could not possibly be invested to yield anything approaching 3½%. It is highly probable that the equilibrium rate is not above 2½% for long term gilt-edged investment, and may be appreciably less".

The reasons quoted above are indeed very convincing and self-explanatory. The present conditions of money market everywhere are so radically different from the pre-war conditions that we can confidently come to the conclusion that what Mr. Keynes predicts is likely to become true. At the time of writing we understand through *Reuter* that the British Government are proposing to arrange for a large funding operation in the form of a 3% funding loan 1959-1969 issue of 150 millions This is perhaps the first step towards the possible reduction in the rate of interest predicted With a plethora of funds in the London money market, the list for this funding loan is sure to be closed in an hour or two at the most If, in London 3% becomes the ruling rate of interest, our Indian Stocks, especially the 3½% irredeemable varieties, should immediately rise in value in the London Stock Exchange with the result that in the Indian Stock Exchanges also the government securities should have a tendency to rise at once

A further reduction in interest rates in India should seriously affect our Indian Insurance Concerns which fix their premia on their policies calculated at a rate of interest which is likely to be obtained by investing their funds in gilt-edged securities Up till now, we understand our Insurance Companies have based their premia on the assumption of obtaining an average rate of 4 to 4½% interest on gilt edged investments and if that be so, they should now have to reconsider and revise the premium rates in the light of the expected rates of interest in the future. But in India we are sure the rate of interest will not fall to the extremely low level of 2½% as is expected in England; but even then, as a prudent measure, it is better that our Insurance companies which are vitally interested in the earning capacity of their gilt-edged investments carefully review their position and do the needful for overcoming a possible contingency.

The Southern India Chamber, Madras.

ANNUAL MEETING.

MR. JAMAL MAHOMED'S ADDRESS

The twenty-fourth annual general body meeting of the Southern India Chamber of Commerce was held last evening at the Indian Chamber Buildings, North Beach Road, with Mr. Jamal Mahomed, President, in the chair.

In moving the adoption of the report, Mr. Jamal Mahomed said inter alia:—

GENERAL TRADE.

Let us now view the state of affairs in the country. All of us know that we are still passing through very difficult times. Commencing from the close of 1929 the whole world has been under a spell of economic chaos and as sure as hopes are entertained at the beginning of a year they are dispelled by the end of it. In this way we have entered upon the fifth year of depression.

We may see, so far as statistics can show, how much our trade has suffered during the depression Imports of private merchandise into India declined steadily from Rs. 248.6 crores in 1929 to Rs. 116 crores in 1933, a decline of more than 53% and exports from Rs 328.9 crores in 1929 to 147.4 crores in 1933, a decline of more than 55%. As between 1932 and 1933 the imports fell from 133 6 to 116 crores and exports increased from 138.2 to 147 4 crores. The visible balance of trade in merchandise declined from 80.3 crores in 1929 to 4 6 crores in 1932 which however has increased to 31.4 crores in 1933. The decline in imports was chiefly contributed amongst other things by cotton yarn and piecegoods, oils etc., and this decline can give us an idea as to how seriously the purchasing power of the people has been impaired. The only bright feature about the imports is the increase from 9 crores to 11 crores in machinery which shows the limited stimulus given to erection of mills, especially textile and sugar, during the year. The increase in exports is chiefly contributed by raw cotton, jute, linseed and tea. In respect of tea the voume of export was smaller but the betterment was due to higher price resulting from the Export Restriction scheme. Raw cotton prices throughout ruled very low and below American parity and even then the exports did not reach the level of 1931, but would have been much worse if the Japanese boycott had continued. In the case of linseed not only Britain but also France, Italy and other countries increased their taking because of the quality and price being favourable as compared to the Argentine seed.

TRADE OF MADRAS PRESIDENCY.

Imports of merchandise into the Presidency have similarly declined from 27 crores in 1929 to 14.4 crores in 1933 while the ex.

what it is to-day; whereas the outlets for profitable investment were vastly greater on account of the rapid growth of population and the opening up of new worlds overseas With the opportunities for safe and profitable investment abroad greatly curtailed, as much by the unfortunate results of past investment as by the diminished opportunities for new investment, Great Britain and the United States would, if they were to return to the full employment of their resources, save sums so vast that they could not possibly be invested to yield anything approaching 3½%. It is highly probable that the equilibrium rate is not above 2½% for long term gilt-edged investment, and may be appreciably less".

The reasons quoted above are indeed very convincing and self-explanatory. The present conditions of money market everywhere are so radically different from the pre-war conditions that we can confidently come to the conclusion that what Mr. Keynes predicts is likely to become true. At the time of writing we understand through *Reuter* that the British Government are proposing to arrange for a large funding operation in the form of a 3% funding loan 1959-1969 issue of 150 millions This is perhaps the first step towards the possible reduction in the rate of interest predicted With a plethora of funds in the London money market, the list for this funding loan is sure to be closed in an hour or two at the most If, in London 3% becomes the ruling rate of interest, our Indian Stocks, especially the 3½% irredeemable varieties, should immediately rise in value in the London Stock Exchange with the result that in the Indian Stock Exchanges also the government securities should have a tendency to rise at once

A further reduction in interest rates in India should seriously affect our Indian Insurance Concerns which fix their premia on their policies calculated at a rate of interest which is likely to be obtained by investing their funds in gilt-edged securities Up till now, we understand our Insurance Companies have based their premia on the assumption of obtaining an average rate of 4 to 4½% interest on gilt edged investments and if that be so, they should now have to reconsider and revise the premium rates in the light of the expected rates of interest in the future. But in India we are sure the rate of interest will not fall to the extremely low level of 2½% as is expected in England; but even then, as a prudent measure, it is better that our Insurance companies which are vitally interested in the earning capacity of their gilt-edged investments carefully review their position and do the needful for overcoming a possible contingency.

The Southern India Chamber, Madras.

ANNUAL MEETING.

MR. JAMAL MAHOMED'S ADDRESS

The twenty-fourth annual general body meeting of the Southern India Chamber of Commerce was held last evening at the Indian Chamber Buildings, North Beach Road, with Mr. Jamal Mahomed, President, in the chair.

In moving the adoption of the report, Mr. Jamal Mahomed said inter alia:—

GENERAL TRADE.

Let us now view the state of affairs in the country. All of us know that we are still passing through very difficult times. Commencing from the close of 1929 the whole world has been under a spell of economic chaos and as sure as hopes are entertained at the beginning of a year they are dispelled by the end of it. In this way we have entered upon the fifth year of depression.

We may see, so far as statistics can show, how much our trade has suffered during the depression Imports of private merchandise into India declined steadily from Rs. 248.6 crores in 1929 to Rs. 116 crores in 1933, a decline of more than 53% and exports from Rs 328.9 crores in 1929 to 147.4 crores in 1938, a decline of more than 55%. As between 1932 and 1933 the imports fell from 133 6 to 116 crores and exports increased from 138.2 to 147 4 crores. The visible balance of trade in merchandise declined from 80.3 crores in 1929 to 4 6 crores in 1932 which however has increased to 31.4 crores in 1933. The decline in imports was chiefly contributed amongst other things by cotton yarn and piecegoods, oils etc., and this decline can give us an idea as to how seriously the purchasing power of the people has been impaired. The only bright feature about the imports is the increase from 9 crores to 11 crores in machinery which shows the limited stimulus given to erection of mills, especially textile and sugar, during the year. The increase in exports is chiefly contributed by raw cotton, jute, linseed and tea. In respect of tea the voume of export was smaller but the betterment was due to higher price resulting from the Export Restriction scheme. Raw cotton prices throughout ruled very low and below American parity and even then the exports did not reach the level of 1931, but would have been much worse if the Japanese boycott had continued. In the case of linseed not only Britain but also France, Italy and other countries increased their taking because of the quality and price being favourable as compared to the Argentine seed.

TRADE OF MADRAS PRESIDENCY.

Imports of merchandise into the Presidency have similarly declined from 27 crores in 1929 to 14.4 crores in 1933 while the ex.

ports have declined from 46 crores to 24½ crores. The decline in both cases is 47%. As between 1932 and 1933, the imports fell from 16.4 crores to 14.4 crores while the exports have remained at 24½ crores without reflecting the increase in exports from the rest of India. The agricultural income of this Presidency has been shown by official figures supplied by the Hon'ble the Finance Member at the time of the last Budget to have been reduced from 180 crores in 1928-29 to 99 crores in 1932-33. Fifty-five percent of our agricultural income is made up by paddy and you can inagine what suffering has been caused to the people of this Presidency by its fall in price by 60% between September 1929 and last March from which position it has slightly recovered now. Passing from paddy to groundnuts, we find that this crop is responsible for at least 20% of our agricultural income and this crop too has deteriorated in value during the last four years by 60%. The condition of this crop is so pathetic that it has to be exported at whatever price it fetches. Similar is the case of other agricultural crops. With a 50% to 60% fall in the income of the people has there been any reduction in taxation not to speak of proportionate reduction? Land Revenue has increased in some districts by 18¾% at the resettlement in the last two or three years and a 12½% suspension or reduction of tax against that increase and against a fall in price of 60% is a mockery of relief. Other taxes like incometax and supertax, stamp duties, court fees, registration charges and excise and customs duties remain equally heavy as before but represent in reality at least twice the quantity of goods that they formerly did. One can imagine to what misery the average man is reduced under the present burden of taxation with only less than half his previous income. You know how the mercantile classes are also groaning under this burden of taxation looking forward in vain to obtaining any relief.

INTERNATIONAL RELATIONS.

The depression is indeed a world-wide one. Joint deliberations by nations have not been wanting. Vital remedies like reduction of tariffs, depreciation of currencies, writing off of war debts and reparations and disarmament, all these have been discussed threadbare, but thanks to mutual suspicions and too exclusive nationalism, no international action has yet been decided upon and each nation is left to shift for itself. Individual countries and groups of countries have been trying independent methods at recovery. So far as our country is concerned, the Ottawa agreement came into being and Imperial Preference was given to great Britain and the Colonies. This has disturbed our relation with other countries, and tariffs have grown up in them against our goods especially in France and Germany. The United States of America have already raised a stiff tariff wall. Japan followed but has just been brought round by negotiations for a new treaty. I am happy that this treaty was discussed in India; and this is the first time in Indian history during British rule that a treaty was discussed in India ; but if the Treaty were also to be signed in India it would have added to the value of the innovation. Though the terms might have been

better, the treaty has been appreciated by the people as securing economic peace and a workable arrangement with our important Eastern neighbour. India has also entered into an agreement with the silver producing and silver using countries with a view to prop up the value of silver.

SILVER AND GOLD.

The Government can very well carry the Silver policy still further for the infinite benefit of this country, such for example. as by opening the mints for the free coinage of silver. On the contrary the Government have now gone the wrong way to reduce internal prices of the country's stocks of silver accumulated over a long period by lowering the import duty by 2½ annas per ounce in a false hope to promote imports. This is likely to curtail the wealth of the poorest classes in the country. While the idea here is said to be to bring in new silver into the country, the gold that was already in the country has been freely allowed to go out of the country. The attitude of the Government of India in the matter of purchase and sale of gold and silver always remains a mystery and would always remain one of the darkest spots in the history of the present administration. Nothing would have been more natural for a Government to do when it has gone off the gold basis and has no ambition of posing as the world's supplier of gold, than to put at least a duty on the exports of gold even if it cannot see its way to stop the export of gold altogether and keep it within the country for the benefit of the country. But the Government of India seems to be above such sound principles as govern the conduct of other civilised countries and has coolly watched 175 crores worth of gold leaving these shores in the course of the brief period after September, 1931. We have to derive our entire consolation for the drain of this precious metal from the help it gave to the British Government to strengthen their gold reserves and to the Government of India to maintain their pet ratio and obtain plentiful supplies of sterling to keep the Secretary of State's paraphernalia going. But what is the effect on this country? We have seriously curtailed our credit recources, seriously impaired our purchasing power, and have been comfortably living on our capital by paying for our imports from our accumulated capital and thus crippled ourselves for our future banking, commercial and industrial development.

RESERVE BANK ACT—EXCHANGE RATIO.

Going through such important legislation passed since we last met as affect the mercantile community, the place of honour should of course be given to the Reserve Bank Act. The public opinion of the country differed violently from the Government on many points in the Bill. Our Committee suggested various amendments in the bill from a national point of view. But the Government had their own way and got the Bill passed by the Assembly as drafted by themselves in spite of the earnest and strong protests of the country. I must however emphasise here that the most iniquitious clause in the whole Act is that perpetuating the 18d ratio.

It was pointed out to the Government from all sides of the country how increasingly harmful was the present exchange ratio to the vital interests of the country and how urgent and supremely necessary it was to devaluate the rupee suitably for raising the internal price-levels and for rehabilitaing the purchasing power of the masses. If there was one thing within the power of the Govt. which would go a great way in picking up the vitality of the country from the miserable depths to which it has fallen, it was the devaluation of the rupee. This the Govt. refused to do in spite of the earnest and well-reasoned importunities of the people. They let slip one more opportunity of giving a supreme satisfaction to the people of the country. We find that the present Budget proposals completely ignore this important question.

PROTECTION TO INDUSTRIES

Another important legislation during the year was the safeguarding of Industries Act which was passed as a precautionary measure primarily against Japan. The Government made some amendments in the tariff in pursuance of this statute but since then the relations with Japan were examined at a Conference in greater detail and further tariff changes have been either made or proposed. Some of our smaller industries stand in real danger of extinction if proper protection is not afforded from the outset of countries which have wisely depreciated their currencies. For example, the widespread hosiery establishments, the umbrella factories, the boot and shoe industry and so on stand in need of urgent help. Early notice ought to be taken of our dwindling trade in lungies with the Straits Settlements, and other countries. This dwindling is primarily due to the competition of cheap mill made coloured cloth from Japan. So long as the Government are impervious to the national demand for derating the rupee in pursuance of a policy now followed by every important commercial country, the outcry of industries and other enterprises against such undue competition would never cease to be heard.

MADRAS MARKETING ACT.

In the provincial Legislature the most important event for us was the passing of the Commercial Crops Marketing Act for the organisation of markets for agricultural products. The Government are entirely mistaken if they think that by restricting the freedom of people to market their crops they are going to enhance the reputation of Indian crops or enrich the ryot. There was widespread opposition to the measure but the Government had it passed. Under the Act, the Tirupur cotton market has been recognised but it is feared that the ignorant ryot is put to much inconvenience and loss. No legislation can ultimately succeed if it is unpractical and unpopular.

INDIAN BUDGET PROPOSALS 1934 - SUGAR, MATCHES ETC.

Coming down to the most recent proposals of the Government of India one or two of which I have already referred to, we find the same indifference to the growth of indigenous industries, to the crying economic needs of the country and to the great necessity of affording relief from the heavy burden of taxation.

The Sugar industry has hardly had sufficient time to develop itself under the shadow of protection granted to it and the excise duty proposed to be levied on sugar will seriously affect this nascent industry and through it the sugar cane cultivators. Owing to the delayed starting of the cane-sugar industry in this part of the country, the new duty will particularly hit south India. Moreover, another peculiar feature of this province is the manufacture of sugar from palmyra jaggery; and the making of jaggery is an ancient occupation conducted on cottage industry scale. Even as it is, the jaggery-sugar industry has got its extra difficulties owing to the high cost of jaggery. An excise duty on top of this will seriously check and frustrate the development of this branch of sugar manufacture.

The duty on matches is an unjustifiable encroachment on the future Federal finance and is also an exploitation of the poor man's needs. Moreover, a great portion of the match-industry is carried on a small and more or less cottage scale. The imposition and collection of this duty will seriously interfere with and handicap the conduct and development of these small scale factories.

We all sympathise with Bengal and admit that Bengal must and ought to be assisted in her difficulties; but what we say is that the means for affording such relief should be found in retrenchment and not in additional taxation. Even during ordinary times, public opinion has justly been demanding the reduction of the Government expenditure and during the present times of unprecedented economic depression there is no justification for keeping up the present level of expenditure, least of all for thinking of increasing the burden of taxation which is already very heavy.

Speaking of relief, it pains one to see what a mockery of relief is proposed to be given in certain directions. Remissions are proposed to be made where such remissions are, at best, of a doubtful nature or are such as to positively injure the real interests of the country. I have already referred to the reduction in the silver import duty as being not exactly in the interests of India Another instance in this connection is the abolition of the export duty on raw hides. This question is very important to this province as it concerns the premier industry - the tanning industry of the Madras Presidency.

TANNING INDUSTRY.

The proposal of the abolition of the export duty on raw hides is made in utter disregard of the long and persistent demand of the industry and of the strong general public opinion on the matter. Even during normal times, the industry is hard put to it to maintain its struggle for existence and the competition of foreign interests in the Indian home market of raw materials and in the leather market abroad is too powerful for the industry to develop itself properly. For protecting the industry from this injurious foreign competition and for enabling our raw skins and hides to go out in the tanned form as much as possible rather than in raw form, a sufficiently high export duty, on raw skins and hides is necessary

The present 5% duty does not give adequate protection; and so the industry has been and is demanding the increase of the duty. But it is deplorable the Government, being influenced by the agitation engineered by foreign interests, are proposing the abolition of even this small duty so far as raw hides are concerned.

As an excuse for this injurious step, the Hon'ble Sir George Schuster wrongly attributes the extra fall in the exports of raw hides to the export duty, while it is really due to the much increased internal consumption of leather articles. He also says that this duty was being retained as a revenue measure. Even so, is the income of the Government so abundant as to forego this source of revenue, however paltry it might be, that too, a revenue that is paid not by the people of this country but by the foreign buyers of our raw hides? But in reality it was levied as a protective duty as clearly explained by the Hon'ble Sir George Barnes in 1919 in the Indian Legislature. Foreign Governments like those of America and Germany through their tariffs favour the imports into their countries of our raw hides and skins as against our tanned stuff and thus help their industries. Due to depression and the extra foreign competition and hardships with which it is surrounded, the indigenous tanning industry is now occupying a very precarious position. It will be very cruel at such a juncture to knock off even the small prop it has, and that too, without even having the question enquired into by the Tariff Board. I earnestly hope that the Government will still think about it, restore and increase the duty and thereby save and strengthen this important industry of the country.

POSTAGE.

It is indeed a good thing that the Government propose to reduce the minimum rate for letters to one anna; but by having the initial weight at ½ tola, this won't give much advantage to the people and the weight should therefore be raised at least to one tola. The increase in the book-post rate is undesirable as it means a handicap on the much needed publicity of advertisements and on the dissemination of knowledge.

ACTS OF OMISSION.

We were so far engaged with the Government's acts of commission which are mostly contrary to the interests of the country. There are also acts of omission and they are even more injurious to the country.

The commercial and industrial population of the country has been for long pressing for the abolition of Supertax and Surcharge and the reduction of Incometax. But no relief is proposed to be given by the Government in this direction ; even the surcharge is left undisturbed. The commerce and industry of the country have still to go a long way to attain to the level of development achieved by those of the advanced countries of the world and the present level of taxation retards their progress and stunts their growth, particularly so during the present period of depression. It is therefore highly necessary that the Government should give substantial relief in this connection.

I spoke a while ago about the unwillingness of the Government to arrest or check the drain of our hard earned and long saved stocks of gold. Another serious instance of omission is that the Budget proposals are quite innocent of even any hints as regards the vital question of exchage ratio. The rupee must be devaluated if at least the further ebbing of the vitality of the conutry is to be checked. If they won't move in unison with the other big countries which have depreciated their currencies, then what else the Government have done or are going to do for grappling the situation in the country, we don't know. Any way, they can't say that nothing need be done.

The Government would have the position of our country challenge comparison with that of any other country in the world and seem to derive some satisfaction from giving such a challenge. But we know that this position is mainly based on the cheap sterling loans and the export of gold and is not a thing to be so warmly congratulated upon.

Though the Government of India would not adopt such measures as other countries have adopted for fighting the depression in our country, certain signs of hope are apparent in the general atmosphere of things, signs which are due to certain world causes. I said at the outset that hopes which were entertained at the beginning of a year used to be frustrated at the end of the same year. But this time, I think these signs are different and more substantial. The trade of Great Britain is now steadily improving. The persistent continuance of the great activities of America continues to engender hopes of better things. I hope that these signs will hereafter firmly entrench themselves and steadily though gradually expand into the actual dawning of normal times.

Now, Gentlemen, I thank you for your patient hearing and commend the accounts and report of the Chamber to your kind acceptance.

Organisation of a Commercial Office.

BY

B. G. BALAKRISHNAN, A. C. R. A. (Glas), D. Com., I. M. C.,

(Continued from page 82, March 1934 issue.)

The proper maintenance of records in business houses, is very important, and the system in this regard should be very carefully framed. The exact procedure to be observed must, of necessity, vary with individual firms, according to the nature of the business and the extent of the transactions. But whatever be the system that is adopted, it should fulfil the fundamental object of record-keeping, viz., to take out at a moment's notice any record that is necessary.

The records of a business may be divided into various classes. In the first place, the inward correspondence that is received from the customers and other business friends, and the office copies that are retained of the letters that are issued from the business (outward correspondence,) form the bulk of the whole of the records. Secondly, there are vouchers such as bills from the creditors with their relative receipts for payments made, etc. Sometimes, the Indents, Statements of Account, Invoices etc., whether received by the business or sent out, are also filed separately, and may, therefore, be classed separately. Thirdly, certain records are in the form of Registers, or bound books such as the several books of account, Receipt books, Inward correspondence register, Minute Book etc., (in the case Limited Companies) and so on. The legal documents such as Title Deeds, Insurance Policy, Investments (Government of India Bonds, Share Certificates and the like), agreements with various persons including employees, come under the last category; and in importance and from the point of view of record-keeping, these legal documents should receive the special and personal attention of the proprietor, or Director (or at least a very responsible official) of the business.

The importance and the value of efficient record-keeping can hardly be over-emphasised. Inability at the right moment to take out a certain record may not only result in loss of prospective customers, but also land the business in legal tangles and, in some cases, pecuniary loss as well. Indeed, a case is on record where, on account of the non-production of the receipt for an amount paid by one person to another, the former had to pay the money once over to the latter. In another case, a highly valued client had sent an urgent order for certain goods of the description and quality he had bought two years previously. The firm could not take the original order of two years back and when they asked for particulars from the client, the latter was annoyed and he not only cancelled the order, but also closed his transactions with the firm.

"Each in its own place" is a sound maxim ; and nowhere is the strict observance of this maxim more essential than in the business house, where time is precious. One may go even so far as to suggest that this maxim ***"Each in its own place"*** should be put up in a placard in the Record Branch of each business house, so that it will serve as a constant reminder to the officials.

There are various systems in vogue for filing the correspondence. A file may be opened out for each person or company with whom there are dealings and suitably docketed as under:

File No.........

Name...

Full Postal
Address...

Correspondence
commenced on (date)..................193 ......

Correspondence
closed (date)..................193......

Department...

An index of files will be maintained for purposes of reference. Each file will contain the letters received from the person noted on the file, and also the office copies of the replies sent thereto. The folios in each file should be consecutively numbered; and cross-reference suitably marked, e. g. Suppose a letter is received to-day from a gentleman, asking for particulars of prices etc., of certain goods. If the gentleman is a new connection, having had no previous dealings with the firm, there will be no file existing for correspondence with him, and hence, a new file will have to be opened out, and duly docketed as shown above. This should immediately be noted in the Index of Files, and in the Address Book. This letter will be marked folio 1, and the office copy of the reply sent will be marked folio 2. In the Address Book, are noted, duly indexed, the full addresses (including Telegraphic addresses) of all the constituents etc., and all changes in the addresses are noted as and when notified by the constituents. The object of this book is obvious. Trade circulars, etc., can be sent to the constituents easily, without having to grope into the files concerned for full addresses. The files should be kept in their proper order, so that any file that is required may be taken easily.

There is also another system—cabinet system of Record keeping. Under this system, in the drawer of the cabinet are kept the folders containing the correspondence. The drawer contains an alphabetically indexed set of cardboards, and next to the cardboard 'A' will be kept the folders of correspondence relating to persons or firms whose names begin with A, and so on.

Sometimes, the correspondence is classified into the several subjects and a file is opened out for each subject so that all correspondence relating to that subject from and to all persons will be filed there. These files should also be suitably docketed and indexed for facility of reference. This system is adopted in Government Offices, Chambers of Commerce and other Public Bodies, and for administrative purposes (such as Tenders for constructing the offices of the firm etc.) in the merchants' offices.

Certain big companies dealing in all varieties of stores dispense with the need for maintaining an index of files, by adopting the Inward Correspondence Register for the purpose. The whole correspondence is classed into two categories. "Enquiries" and "Orders" ; and two Inward Correspondence Registers are maintained, one for "Enquiries", and the other for "Orders".

Finding the Ideal Money.

THE INFLUENCE OF GOLD ON CIVILISATION

International Indebtedness and Payments

(BY MR. JAMES MURRAY, Manager of the Union Bank of Australia, Limited, Adelaide).

MONEY does not represent goods and services—it represents debt. If money represents goods, then we must conclude that we can have the money and the goods at the same time, which is absurd.

When we buy goods, the money we pay does not extinguish the goods, but the debt created by the passing of the ownership in the goods. The owner of goods is not compelled to sell, however much money the potential purchaser may possess; but he is compelled to accept legal tender money in payment of the debt created when the goods have been sold.

When we sell goods and services, we are paid in one or other of the following forms :—

(*a*) By a book debt, or bill of exchange —that is, a debt due by the individual.

(*b*) By a transfer of a credit in the books of a bank—that is, a debt due by a corporation.

(*c*) By legal tender paper money, or silver or copper tokens—that is, a debt due by the State ; or

(*d*) By gold coin (if available)—that is, a debt due by the civilised world.

Note the sequence—debt due by the individual, corporation, the State, and, finally, by the civilised world.

Debt and Credit

An increase in the amount of money, whatever form it takes, does not increase by a single iota the amount of goods and services in the world, but the amount of debt. It is, therefore, a fallacy to say that otherwise the creation of money increases wealth.

So we correctly conclude that, where there is no money, there is no debt, and, conversely, that where there is no debt, there is no credit. If there is no credit, there is no confidence—the essential foundation of credit ; and if there is no confidence, civilisation ceases to exist.

But, as civilisation and confidence must exist to preserve a continuity of the human race as presently constituted, there must be money in existence to serve as the common denominator of goods and services, the exchange of which connotes "the daily round, the common task".

Economists are agreed—and it is obvious even to the layman–that the ideal money must possess the following seven attributes ; intrinsic value, portability, indestructibility, homogeneity, divisibility, stability of value, and cognisability. And, of all substance, the metals, gold and silver, the products of nature, not the invention of man—come nearest to the ideal money, and they have been so employed from time immemorial. Both have, from time to time, been contemporaneously employed as money, but, as two commodities of varying volume cannot ignore the law of supply and demand, they cannot possibly preserve the same ratio to the quantity of goods and services which they exchange, and consequently the same ratio to each other. The less variable must be the constant, and the other a commodity. That is why bi-metallism, in actual practice, has never been long workable.

History Repeats Itself.

In ancient times silver was the prevailing currency, this medium of exchange being assumably euqal to the volume of trade engaged in and the amount of debt to be settled.

From history we learn that in those days, when large quantities of gold were transferred from one country to another, it was not usually to settle a balance of trade, but a war levy. It is amazing how history repeats itself.

The middle ages saw a considerable expansion in international trade, but silver still prevailed as the dominating currency.

I want here to observe that a society or a sovereign state does not vicariously choose its medium of exchange, but of necessity selects the commodity that is the least variable in value in relation to all other commodities; and that circumstance is governed by the volume of debt normally due for immediate settlement. Reasoning a posteriori, we may deduce that silver was the most constant measure of value in the times which it prevailed as the dominating currency, and that it sufficed to discharge all the debt then created.

It was not until modern times—indeed, not until very recent times that gold came to the fore as the basis of currency for domestic and international settlements. Two major causes contributed to this: First, the legislative recognition of the rights of the individual, the consequent growth of democracies and the spread of education established a greater degree of confidence and credit ; and, second, invention, machinery, mechanised labour and improved means of communication increased the production of wealth. And out of increased wealth and increased confidence grew a greater volume of trade and a correspondingly greater volume of debt for settlement, calling for a medium of exchange more constant in value and less cumbersome for transport than silver. Epigrammatically, we may put it : The gold standard is the offspring of democracy and mass production, and first saw the light in Great Britain, the home of liberty and the pioneer of mass production.

Britain adopted gold as a monometallic basis of currency in 1816, and from that time silver coins in Britain became tokens.

France became bi-metalic about 1850, and, to consolidate her position, formed the Latin Monetary Union with several minor European countries in 1865. U. S. A. was bi-metallic, and Germany on silver. But all fell into line with Britain—Germany in 1870, France and the Latin Union in 1878, and U. S. A. in 1900.

Paper currencies of a legal tender standard are divided into three categories ; First, the notes issued against gold coin, replacing gold, but not supplementing it. Second, the notes issued as undertakings to pay gold, and supplementing gold reserves, but effectively implementing the undertaking by paying gold when demanded. And third, the notes issued against nothing, and undertaking nothing.

Until 1914 most legal tender notes were effective undertakings to pay gold and, as such, maintained their par value with gold.

War Effects.

The World War, however, put into circulation an abnormal volume of goods and services, to finance which almost every country issued fiat money—that is, legal tender notes unsupported by a gold backing. The strain on the gold resources of the world necessitated the abandonment of de facto payment in gold, and the artificial fixing of the foreign exchang rates.

Nevertheless, the flat issues were tacit undertakings to pay gold on demand, and arbitrarily circulated during the war on a par value with gold.

The cessation of hostilities and the reversion to a state of peace removed the necessity for the artificial control of the foreign exchanges, and thereby threw the full weight of the undertakings to pay gold, tacit and specific, on the gold basis; and, in consequence, the top-heavy structure of credit broke down. The gold standard as a system did not, of itself, fail, but it failed to carry the abnormal load placed upon it under the abnormal circumstances, just as the best of engines would fail to function should someone throw a spanner in the works.

Nation after nation abandoned the gold standard, not because of its lack of merit, but because each country made a virtue of necessity, until to-day the gold standard is only nominally observed among nations on its former parity.

GOLD STILL CURRENCY BASIS.

But gold as the basis of currency has, however, not been abandoned. The test of the value of a paper currency is, directly and indirectly, what quantity of gold will it exchange for? And, though all paper currencies vary in value in relation to gold and so, more or less, in relation to each other, the common denominator of all currencies is a given weight of the metal gold of a certain fineness. In short, the world is actually on the gold standard still, though the paper money values are of scintillating uncertainty.

If gold has ceased to function as money, and is fit only for ornaments and the fine arts, it is paradoxical that jewellery is being melted literally by the ton into bullion for international exchange, and, if it is only nominally in demand for the industrial arts—the demand has actually fallen 50 per cent, during the past three years—and is no longer in demand as a medium of exchange, it is a contradiction in terms to say that the price has risen. If it has ceased to serve any useful purpose, the demand would fall, and the price would fall with it. Indeed, we may say: No use, no value. But it is notorious that gold has risen in relation to the legal tender paper currencies; or, rather, to state the plain fact, the value of paper notes has fallen in relation to gold. The law of supply and demand makes it inevitable that this should be so, paper notes or tacit undertakings to pay gold having increased prolifically while gold has been fairly constant.

Gold is the one commodity the market for which is unlimited and world wide. It is in fact, the acknowledged debt due by the world to the holder. The holder is the creditor of the world, and the debt, like any other debt, is good and exchangeable by virtue of the confidence held by all men in it efficacy to pass for face value.

The keynote is that it is the debt o civilisation, and its credit is good with all mer

The link between gold and civilisatio

is that it is the only money that inspires universal confidence.

The contrast is that all other money is debt more or less capable of being converted into the universal money, gold; but all other money inspires confidence only in a limited or qualified degree, some not at all.

The rabid inflationist is the currency anarchist, observing no currency laws and breaking every "rule of the game"; but gold is the currency policeman, detecting and arresting every irregularity in a paper currency. The inflationist, therefore, hates the gold standard as the anarchist hates the policeman.

It is the universal confidence that gold inspires that dominates the minds of men, and so influences civilisation.

SUPPLY AND DEMAND

To ascertain what will be the influence of gold in the near future, or, shall we say, within our lifetime, we have to determine the effect of the law of supply and demand on the metal gold. The sources of the supply of gold for currency purposes are:

(a) Fresh supplies from nature.

(b) Hoardings disgorged by economic pressure.

(c) Conversions from jewellery into bullion.

And demand arises from:

(d) Requirements for the industrial arts.

(e) Hoardings from custom (India, China, etc), and hoardings from fear (in the Western World to-day).

(f) Central banks' currency requirements.

The position is illustrated more particularly by quoting last year's figures:

IN

	Millions.
World gold stocks at 31-12-31	£ 2,523
Mines, etc.	101.5
India hoardings exported (nett)	39
China hoardings exported (nett)	4.5
	£ 2,668

OUT

	Millions.
Industrial arts (nett)	£ 6
World gold stocks at 31-12-32 (mostly held by central banks)	2,662
	£ 2,668

The increase for the year (a record) is 5.51 per cent, against an annual average of about 3 per cent.

These are the concrete or tangible evidences of the law of supply and demand on the substance gold, and they are quite intelligible to the casual observer. But there remains to be considered the great sphere of credit, in whatever form, invisibly operating, directly and indirectly, on the demand for gold, and sensibly alternately appreciating and depreciating its value expressed in terms of paper money. This is the aspect of gold values rarely stressed, doubtless because least understood. Every increase in credit tends to raise the paper price of gold, and, conversely, every contraction of credit has a contrary effect; and this is in accordance with the law of supply and demand, price-fixing legislative enactments or any other influence notwithstanding.

MERCANTILE CREDIT.

The maintenance of mercantile credit is dependent on the amount of banking credit available, and banking credit is based on the supply of paper legal tender notes available (I am assuming that gold is not in circulation). A paper legal tender, however, is maintained by the consistency of price levels with those of other countries. The common denominator of price levels in all countries is a given weight of the metal gold of a prescribed purity. If price levels in a country rise abnormally, the unit of finance in that country has relatively a lesser purchasing power in other countries whose price levels are normal, and so that unit falls in value in relation to gold. (We have a singular example of this in U. S. A. to-day).

The level of prices in any country is of no consequence to its citizens, apart from the general level of prices being consistent, provided that country has no international trade and no debt to pay outside its own jurisdiction. But a nation without a foreign trade sinks into oblivion. Therefore, every nation must co-ordinate its price levels to the price levels of the countries with which it trades, and can find in gold only a common equation for the settlement of international indebtedness. Gold is not necessary for internal or domestic circulation, provided paper money values are fairly consistent with gold values.

It is the volume of international indebtedness for immediate payment that creates the demand for the international denominator gold, and the operation of the law of supply and demand from this souce is to-day the most powerful influence on the price of gold expressed in the various legal tender paper currencies of the world. It is of vital importance–indeed it is an inescapable necessity–for the advancement of civilisation that every nation have a monetary unit with as near as possible a consistent value in relation to all other national money units, and the only practical solution is the adoption of the money unit that inspires the mutual confidence of all men that is, a given quantity of the metal gold of a prescribed fineness. There is no permanent solution in the arbitrary fixing or pegging of values, in the face of the unequal supply of, and demand for, the metal gold.

The effect of money is, above all things, psychological. What influence has it on the minds of men? Money as debt in circulation, moving to a purpose, must inspire a confidence in its capacity to be redeemed not in its nominal money value, but in its actual goods and services value–confidence, credit, debt. The confidence that inspires in the creditor the belief that he will receive in repayment actual value at least equivalent in goods and services to what he gave, that no less inspires in the debtor the belief that he will, in course, be required to repay actual value, in goods and services, at least not more than what he received. If money is to be a medium of exchange, it should be a just medium of exchange, the giving and the receiving fair and equitable.

Gold is the only currency that inspires this confidence, and metaphysically the influence of gold dominates the minds of men.

Commercial Australia.

Reserves

BY

S. RENGANATHAN, B. A., R. A.

The term Reserves includes, in a broad sense, a reserve, a reserve account, a general reserve fund, a specific reserve fund, and a secret reserve fund. If one gets clear ideas about these several words, what they mean and imply, one can very well understand all about Reserves.

A Reserve is a charge against the Profits for a loss or expenditure that is expected; e. g. Reserve for Commissions, Reserve for Audit Fees.

A Reserve Account is an appropriation of profit for a loss or expenditure that is not expected. This is really a Reserve Fund which is not separately invested but is absorbed in the general assets of the Concern.

A General Reserve Fund is on the other hand, a Reserve for losses or heavy expenditures that are not expected and the amount of which are separately invested and can be distinguished from the general assets of the Concern.

There is a controversy about the point whether a Reserve for unexpected lossses should be separately invested or can be absorbed in the assets. According to orthodox and conservative principles of accounting it is doubtless necessary that the Reserves should be invested separately; but some Accountants argue that a Reserve is a Reserve whether absorbed in the assets or invested separately, but the point should be noted that the underlying idea of a Reserve is to meet unexpected losses and heavy expenditure and as such it is better to have the Reserves separately invested. Another argument is that if the Concern can fetch greater amount of profit on the Reserve amount than it will fetch if invested separately, it can very well be absorbed in the assets. Here also it should be clearly understood that the main purpose of the Reserve is not to fetch profits but to meet unexpected losses and heavy expenditure. Prudence dictates, therefore, that however sound the Concern may be the Reserves should be separately invested in readily realisable securities.

Specific Reserve, by its very name indicates that it is an appropriation of profit set apart for a stated purpose and one that ought to be separately invested.

A Secret Reserve is a surplus—not an appropriation of profit—the existence of which is not apparent on the face of the Balance Sheet. The existence of Secret Reserves is in general an aid to the financial stability of the Concern. But this has also been, and is, a matter of very deep controversy because the advantages as well as the disadvantages of having Secret Reserves are both acting and counter-acting.

To say how Secret Reserves are created. Excessive depreciation, undervaluation of assets, creating unnecessary and excessive reserves, creating fictitious liabilities or writing off Capital expenditure to Revenue, are some of the methods of creating a Secret Reserve.

The advantages of creating these reserves consist in enhancing the financial stability in the ease with which the profits can be manipulated as to declare uniform dividends and in concealing big profits as to eliminate competition. But the disadvantages more than counter-act the advantages. These secret reserves are bug-bears to the shareholders and the investing public. The very idea of having secret reserves indicates that the shareholders do not get the full information to which they are ordinarily entitled to. Secondly, the accounts, in cases where there are secret reserves, cannot be true and accurate in so far as the profits and the valuation of the assets are concerned. Thirdly, the Directorate will be in a position to manipulate the profits and whenever there are losses due to the inefficiency or mismanagement of the affairs of the concern these can also be hidden and this is a grave mistake. Finally, the creation of these reserves can be relied upon only if the Directorate command the confidence of the shareholders and the investing public, otherwise the Concern may lose the confidence of the shareholders and then come to sorry ends.

Any way no definite rules have been enunciated in the matter of Secret Reserves and it is not good to dogmatize.

Young Germany Down on the Farm.

Novel Training for City Unemployed.

BY

K. PADMANABHAN TAMPY.

The Nazi *"back to the land movement"*, the backbone of Hitler's campaign to cure unemployment, has achieved tremendous popularity throughout Germany. An experiment in settling City Workers on the land which may serve as a brilliant lesson in constructive working to the leaders of the New Germany, has been made in a Berlin suburb. This is the latest and most remarkable expression of the spirit of the movement.

In any big scheme of land settlement, capital expenditure or rather the lack of capital, has invariably been the stumbling block. Under the expert guidance of Dr. Von Hippel, a distinguished economist formerly in the German Consular service, a band of unemployed from Spandan, a Berlin suburb, has without the aid of a penny from the State, converted a four acre patch of barren ground into a practical farm training school. The Government land programme emphasises that big estates no longer workable at a profit, are to be divided into small holdings but the greatest difficulty in settling town dwellers arises from their complete lack of

farming knowledge. With the idea of providing ample facilities to the unemployed in town, to learn farming at first hand and to acquaint them closely with the benefits of co-operation, the men from Spandan were invited to the Farming School, by Dr. Von Hippel.

As the direct result of their co-operation, has emerged a beautiful and productive farm which would certainly surprise the critics of the townsman-turned-farmer. The barren land has undergone a complete transformation at the enthusiastic hands of the townsfolk turned into husbandmen. Deforested land has been replanted with seedlings, shelters have been built of logs roofed with earth, old scrap iron salvaged from a factory dump has provided the materials of a forge from which in turn have issued rough but usable tools, while the very fencing surrounding the school consists of wire from derelict forest enclosures and rubbish heaps. All these are but a beginning of things that could be achieved by men fresh to the land. The colonists have an oven made by themselves and a brick slive of their own making from which come the bread and nourishing soup which is served daily to them at a small charge. Rye and mulberry seedlings have been planted. The newly converted farmer's boys are taking to rearing silk worms. Dr. Von Hippel and his sturdy associates are in the best of health and spirits. They are very proud of the fact that not a penny, not even a farthing of State money has gone to the training of the youthful farmers!

Their motto has been to extract a decent livelihood, where it never existed before. In this they have succeeded eminently.

It is hoped soon to settle the young Giles' on holdings of their own. It is most sanguinely expected that at least 200 of them, when they go away finally from the Farm Training School, will ride on bicycles of their own making, out of bits and parts which they have gathered from here and there. Thus they are preparing to prove that not only crops but even bicycles can be made to grow by active, intelligent co-operation.

The experiment made by Dr. Von Hippel has proved a signal success and other parts of Germany are following the footsteps of the people of Spandan.

News & Views.

A notification of the Government of Madras, Ms. No 755, Education dated March 21, 1934 states that a fresh scheme has been settled by which the McIsaac Prize Endowment Fund shall come into operation on the 1st day of July 1934, the interest accruing on the said Fund in each year being utilized for the award of a prize in the form of books to that candidate who, out of all the candidates appearing from the Madras Presidency for the examination in Commercial Geography in Higher grade held by the Government of Madras, stands first at such examination. This we think should act as a good incentive for the study of Commercial Geography which is now unfortunately neglected by many of the students of commerce. May we hope that people interested in commercial education will come forward with their endowments for making provision for prizes in other commercial subjects as well?

* * *

The President of the Chamber of Commerce of the State of New York while granting to the qualified candidates the award of the Junior Credential in Commerce in February 1934 said: "While I congratulate each of you, and am glad you have succeeded and deserve these Credentials, let me give you a word of advice looking toward your future. You are facing that future with confidence, and it is right that you should do so, but bear in mind that in whatever walk in life you choose there will be new things to learn. One's education is never completed, and you will find that the work you have done to deserve these Credentials is child's play in comparison with what you will find is necessary for success in the future. However, do not be discouraged; work does not tire one as idleness does; with courage, industry, perseverance, a clean mind, good health and, above all, honesty, you will succeed". Students of Commerce in India will be well advised to bear in mind always the above advice given by an experienced business magnate.

* * *

The six Maxims treasured by H. M. The King Emperor of India hang upon the walls of H. Majesty's Library and business room at Sandringham and they are as follows:

1. Teach me to be obedient to the rules of the game.

2. Teach me to distinguish between sentiment and sentimentality.

3. Teach me neither to proffer nor to receive cheap praise.

4. If I am called upon to suffer let me be like a well-bred beast that goes away to suffer in silence.

5. Teach me to win if I may; if I may not win then above all teach me to be a good loser.

6. Teach me neither to cry for the moon nor over spilt milk.

Institute of Book-keepers' Journal.

We think business men will do well to remember the above six maxims and greatly benefit themselves by acting according to them.

* * *

Speaking at the Federation of Indian Chambers at New Delhi on the 31st March 1934, Mr. Birla while expressing his considered views on the Indo-Japanese and Mody-Lees Agreements said: "It was iniquitous that India must buy something from abroad because she could not produce it or sell something because she could not consume it". Mr. Kasturibhai Lalbhai commenting on the same subject viewed the future of the Indian textile industry with much concern, because Italy and other foreign countries might try their best to seek trade agreements on the lines of the Indo-Japanese Agreement which is against Indian interests. When this is the honest opinion of the Indian business magnates why should we bother ourselves about the place of signing the Indo-Japanese Treaty? Whether it is signed in India or in England it matters little.

* * *

A Public Meeting under the auspices of the Indian Insurance Institute was held on Saturday, the 10th March, 1934 at 2 P. M. in the Hall of the Bengal National Chamber of Commerce at 2, Royal Exchange Place, Calcutta under the Presidency of Mr. J N. Basu, M. A B L., M. L. C., and the following resolution was adopted unanimously.

"Resolved that this meeting of the representatives of the Insurance Companies held under the auspices of the Indian Insurance Institute strongly protest against the proposals made by the Hon'ble finance Member for enhancing the postal rates on book-packets as such increase would materially affect the interests of the Insurance Companies who will be involved in heavy expenses as a result of such enhancement.

This meeting is further of opinion that the remarks of the Hon'ble Finance Member as regards the abuse of the privileges of book-packets are not quite justified especially so far as insurance offices are concerned and strongly urges upon the Government the desirability of exempting, reminders, circulars and policies of Insurance Companies from the enhanced book packet rates even if such increase is thought desirable on other grounds.

This meeting also records its considered opinion that the concession granted in respect of letters is not adequate the decrease being only 20 per cent in the rate as against lowering of weight by 80 per cent and request the Government to make the weight proportionate to the diminution of rates".

Auditor's Certificate Rules, 1932.

FIRST EXAMINATION.

ACCOUNTANCY & AUDITING—PAPER I.

(Book-Keeping.)

ANSWERS.

n. 1–A.

Statement of Profit & Loss on 3oth June 1932.

		Rs. a. p.			Rs. a. p.
;reditors ...		3510 0 0	Cash ...		... 470 0 0
3alance (final cap.) b/d. ...		9960 0 0	Stock ...		... 8800 0 0
			Plant ...		... 4200 0 0
		13470 0 0			13470 0 0
Capital on 30-6-31:			Cap. 30th June 32		... 9960 0 0
A ...	Rs. 8760		Drawings:		
B ...	Rs. 4130	12890 0 0	A ...	3640	
			B ...	2080	
Interest on Capitals;			C ...	1560	7280 0 0
A ...	525 9 7				
B ...	247 12 10	773 6 5	C's cap. Dr. on		
			30-6-31 ...	1370	
Balance Net Profit:			Int. at 6 %	82 3 2	
A ...	Rs. 2155 3 3				
B ...	1436 12 9				
C ...	1436 12 9	5028 12 9			1452 3 2
		18692 3 2			18692 3 2

Statement of Affairs on 30—6—1932.

Liabilities.		Rs. a. p.	Assets.		Rs. a. p.
Creditors		3510 0 0	Cash ...		... 470 0 0
A's Capital on 30-6-31	8760 0 0		Stock ...		... 8800 0 0
Add int.	525 9 7		Plant ...		... 4200 0 0
,, profit 3/7	2155 3 3		C's capital (Debit)		
			On 30-6-31	1370 0 0	
	11440 12 10		Add int.	82 3 2	
Less drawings	3640 0 0	7800 12 10	,, Drawings	1560 0 0	
				3012—3—2	
B's capital:			Less share of profit	1436-12—9	1575 6 5
On 30-6-31	4130 0 0				
Add interest	247 12 10				
Add profit 2/7	1436 12 9				
	5814 9 7				
Less drawings	2080 0 0	3734 9 7			
		15045 6 5			15045 6 5

Statement of Profit & Loss on 31st Dec. 1932.

Qn. 1-B.

Dr.		Rs. A. P.	Cr.		Rs. a. p.
Sundry Creditors	...	10900 0 0	Cash in hand		110 0 0
Balance (final Capital)	...	6128 8 0	Cash at Bank		4730 0 0
			Sundry Debtors	3630 0 0	
			Less Reserve	181 8 0	3448 8 0
			Stock	...	4950 0 0
			Furniture	1200 0 0	
			Less Depre. *	110 0 0	1090 0 0
			Delivery Van	...	2700 0 0
		17028 8 0			17028 8 0

* Depreciation is calculated at 10% on Rs. 1100, that on the current year's addition being ignored.

	Rs. a. p.			Rs. a. p.
Capital on 1—1—32	5940 0 0	Balance b/d	...	6128 8 0
Balance (net profit)	3488 8 0	Add drawings	...	3300 0 0
	9428 8 0			9428 8 0

Statement of Affairs on 31st December, 1932.

		Rs. A. P.			Rs. A. P.
Creditors	...	10900 0 0	Cash in hand	...	110 0 0
Cap. on 1—1—32:	5940 0 0		Cash at Bank	...	4730 0 0
Add profit	3488 8 0		Debtors	3630 0 0	
	9428 8 0		Less Res.	181 8 0	3448 8 0
Less Drawings	3300 0 0	6128 8 0	Stock	...	4950 0 0
			Furniture	1200	
			Less Depr.	110	1090 0 0
			Delivery van	...	2700 0 0
		17028 8 0			17028 8 0

Qn. 2.

By the term 'Depreciation' we mean the gradual decrease or reduction in the value of an asset from various causes such as wear and tear, fall in the market price etc.

The various methods for providing depreciation in vogue are:

1. Fixed Instalment Method.

2. Diminishing Balance Method.
3. Annuity System.
4. Depreciation Fund Method.
5. Insurance Policy System.
6. Revaluation Process.
7. Charging one sum to cover repairs, renewals, depreciation etc.

For examples the reader is referred to "**Advanced Accounts**" by R. N. Carter, F. C. A., pages 646 to 663.

Qn. 3-A.

Manufacturing Account.

Dr.	Rs.	Cr.	Rs.
To Stock 1st Jan.	10,600	By Sales	1,00,000
,, Purchases	30,000	,, Stock on 31—12—30	20,000
,, Wages	25,000		
,, Car. Inwards	3,200		
,, Workshop Power	5,500		
,, P & L A/c. (Manufacturing Profit)	45,700		
	1,20,000		1,20,000

Profit & Loss Account.

To Office salaries	6,000	By Trading A/c.	45,700
,, Discount on sales	2,000	,, Discount on purchases	1,000
,, Carriage Outwards	6,000		
,, Rent	4,800		
,, Printing & Stationery	300		
,, Postage & telegrams	320		
,, Travelling	2,500		
,, General charges	350		
,, Commission	2,600		
,, Net Profit	21.830		
	46.700		46,700

Audit Certificate: I hereby certify that the manufacturing profit of..........................Co. as shown by the books is Rs. 45,700 and that the percentage of net profit to the manufacturing cost is 40·2.

Statement of Profit & Loss on 31st Dec. 1932.

Qn. 1-B.

Dr.		Rs. A. P.	Cr.		Rs. a. p.
Sundry Creditors	...	10900 0 0	Cash in hand		110 0 0
Balance (final Capital)	...	6128 8 0	Cash at Bank		4730 0 0
			Sundry Debtors	3630 0 0	
			Less Reserve	181 8 0	3448 8 0
			Stock	...	4950 0 0
			Furniture	1200 0 0	
			Less Depre. *	110 0 0	1090 0 0
			Delivery Van	...	2700 0 0
		17028 8 0			17028 8 0

* Depreciation is calculated at 10% on Rs. 1100, that on the current year's addition being ignored.

	Rs. a. p.			Rs. a. p.
Capital on 1—1—32	5940 0 0	Balance b/d	...	6128 8 0
Balance (net profit)	3488 8 0	Add drawings	...	3300 0 0
	9428 8 0			9428 8 0

Statement of Affairs on 31st December, 1932.

		Rs. A. P.			Rs. A. P.
Creditors ...		10900 0 0	Cash in hand	...	110 0 0
Cap. on 1—1—32:	5940 0 0		Cash at Bank	...	4730 0 0
Add profit	3488 8 0		Debtors	3630 0 0	
	9428 8 0		Less Res.	181 8 0	3448 8 0
Less Drawings	3300 0 0	6128 8 0	Stock	...	4950 0 0
			Furniture	1200	
			Less Depr.	110	1090 0 0
			Delivery van	...	2700 0 0
		17028 8 0			17028 8 0

Qn. 2.

By the term 'Depreciation' we mean the gradual decrease or reduction in the value of an asset from various causes such as wear and tear, fall in the market price etc.

The various methods for providing depreciation in vogue are :

1. Fixed Instalment Method,

2. Diminishing Balance Method,
3. Annuity System,
4. Depreciation Fund Method,
5. Insurance Policy System,
6. Revaluation Process,
7. Charging one sum to cover repairs, renewals, depreciation etc.

For examples the reader is referred to "**Advanced Accounts**" by R. N. Carter, F. C. A., pages 646 to 663.

Qn. 3-A.

Manufacturing Account.

Dr.	Rs.	Cr.	Rs.
To Stock 1st Jan.	10,600	By Sales	1,00,000
„ Purchases	30,000	„ Stock on 31—12—30	20,000
„ Wages	25,000		
„ Car. Inwards	3,200		
„ Workshop Power	5,500		
„ P & L A/c, (Manufacturing Profit)	45,700		
	1,20,000		1,20,000

Profit & Loss Account.

To Office salaries	6,000	By Trading A/c.	45,700
„ Discount on sales	2,000	„ Discount on purchases	1,000
„ Carriage Outwards	6,000		
„ Rent	4,800		
„ Printing & Stationery	300		
„ Postage & telegrams	320		
„ Travelling	2,500		
„ General charges	350		
„ Commission	2,600		
Net Profit	21.830		
	46 700		46,700

Audit Certificate: I hereby certify that the manufacturing profit of.............................Co. as shown by the books is Rs. 45,700 and that the percentage of net profit to the manufacturing cost is 40·2.

Qn. 3–B.

A Comparative Manufacturing Account of Mr. A for 1931 and 1932.

Dr | Cr.

	1931 %	1931	1932 %	1932		1931 %	1931 Rs.	1932 %	1932 Rs.
To initial Stock		275100		264000	By sales	100	945000	100	1017500
,, Purchases		387200		456100					
		662300		720100					
Less final stock		264000		298400					
	42.15	398300	41.44	421700					
Mnfg. wages	16.63	157200	16.14	164200					
Fac. power	9.96	94100	9.34	95000					
Car. inwards	4.55	43000	4.73	48100					
Profit	26.71	252400	28.35	288500					
	100.00	945000	100.00	1017500		100	945000	100	1017500

Qn 4

The term "Average date" means, a mean or equated date on which a single payment is made in liew of several payments on different dates, thereby neither the payer nor the payee gaining or losing on account of interest.

A in Account Current with B.

Dr. | Cr.

Date	Item	Amount Rs.	Days	Products	Date	Item	Amount Rs	Days	Products
J. 12	To Cash	500	—	Starting date	F. 2	By Cash	300	21	6300
16	do.	300	4	1200	M. 6	do.	600	53	31800
F. 28	do.	900	47	42300	A. 10	do.	800	88	70400
M. 4	do.	3000	51	153000	11	do.	300	89	26700
22	do.	100	69	6900	May 6	do.	2500	114	285000
Ap. 4	do.	800	82	65600	June 6	do.	2500	145	362500
5	do.	600	83	49800	20	do.	1000	159	159000
May 10	do.	1100	118	129800	30	,, balance	400	169	67600
21	do.	200	129	25800					
June. 6	do.	700	145	101500					
21	do.	200	160	32000					
	,, balance	...	...	401400					
		8400		10,09,300			8400		10,09,300

$\frac{401400}{400}$ = 1003.5 days; nearly $2\frac{3}{4}$ years:

Interest for Rs. 400 for $2\frac{3}{4}$ years at 6% = Rs. 66.

So on 30th June A should pay B Rs. 466 to settle his account.

Qn. 5.

A's Journal.

Mar. 1	B/R ... To B ... B. R. No. 1 ... B. R. No. 2 ...	Rs. 2500 Rs. 4000		Dr.	6500 0 0	6500 0 0
,,	Bank ... Discount ... To B/R. (No. 1)			Dr. ,,	2462 8 0 37 8 0	2500 0 0
,,	B ... To Bank ... ,, Discount ...		...	Dr.	1250 0 0	1231 4 0 18 12 0
,,	C ... To B/R. (No. 2 endorsed) ...		...	Dr.	4000 0 0	4000 0 0
June 4	Interest ... To B ...		...	Dr.	18 12 0	18 12 0
,,	B ... To B/P ...		...	Dr.	1268 12 0	1268 12 0
,,	B ... To Bank ...		...	Dr.	4000 0 0	4000 0 0

B's Journal.

Mar. 1	A ... To B/P ... No. 1 for 2 ,,	Rs. 2500 4000	...	Dr.	6500 0 0	6500 0 0
,,	Cash ... Discount ... To A ...		...	Dr. ,,	1231 4 0 18 12 0	1250 0 0
June 4	A ... To Interest		...	Dr.	18 12 0	18 12 0
,,	B/R ... To B ...		...	Dr.	1268 12 0	1268 12 0
,,	Bank ... Discount ... To B/R ...		...	Dr. ,,	1249 11 6 19 0 6	1268 12 0
,,	B/P ... To Bank ...		...	Dr.	2500 0 0	2500 0 0
,,	Cash ... To A ...		...	Dr.	4000 0 0	4000 0 0
,,	B/P ... To Cash ...		...	Dr.	4000 0 0	4000 0 0

C's Journal.

.. B/K ...	Dr.	4000 0 0	
To A ...			4000 0 0
.. Cash ...	Dr.	4000 0 0	
To B/R ...			4000 0 0

Qu. 6.

The Standard Match Works Ltd.

Trading Account for the year ending 31st Dec. 1932

		Rs.			Rs.
To Stock (1-1-32) ...		13000	By Sales	186000	
.. Purchases	82000		Less Returns	12000	174000
Less Returns	6000	76000	.. balance (Stock in trade)		21000
.. Workmen's wages	33000				
Do. Due	3000	36000			
.. Power Charges	5600				
Do. Due	500	6100			
.. P & L a/c (G. P.)		63900			
		Rs. 195000			Rs. 195000

Profit & Loss Account for the year ending 31—12—32.

		Rs.		Rs.
To Gl. Charges ...		1500	By Trading A/C (G.P.)	63900
.. Com. paid ...		9000		
.. Interest ...		1000		
.. Telephone ...	250			
Due	25	275		
.. Bank Charges ...		150		
.. Rent ...		4600		
.. Office Salaries ...		7000		
.. Director's fees ...		400		
.. Lorry & Car Exp. ...		3600		
.. Bad Debts written off ...		550		
.. Advertisement ...	400			
Due	100	500		
.. Stationery & Printing		250		
.. Postage & Telegrams ...		700		
.. Repairs ...		1800		
.. Insurance due ...		300		
.. Audit fees due ...		500		
.. Depreciation on:—				
Motor car	300			
M. Lorry	760			
Machinery	1500	2560		
.. Pre. Exp. Written off ...		250		
.. Res. for B. D. D. on 27700		1385		
.. Appropriation A/C. (N P.)		27580		
		63900		63900

The Standard Match Works Ltd.

Balance Sheet as on 31st December 1932.

	Rs.	ASSETS.	Rs.	Rs.
Share Capital:—		Machinery ...	30000	
4500 Sh. of Rs. 10 each f. p. ...	45,000	Less Depreciation ...	1500	28,500
Creditors ...	3,000	Sundry Debtors: ...	28150	
Sundry Accounts outstanding: ...	6,425	Less written off ...	450	
P. & L. a/c Cr. balance ...	27,580		27700	
		Less Res. for B. D. D. ...	1385	26,315
		Stock in trade ...		21,000
		Motor car	2000	
		Less Dep. @ 15 %	300	1,700
		Motor Lorry ...	3800	
		Less Dep. @ 20 % ...	760	3,040
		Cash in hand ...	200	
		Do. at Bank ...	1000	1,200
		Pre. Expenses ...	500	
		Less Written off ...	250	250
	Rs. 82,005			82,005

Power of attorney

is a registered document by which a person is usually appointed to act as an agent on behalf of another. It states the extent of authority delegated by the Principal and the agent so appointed usually signs 'Per Pro' or 'P. Pro' or 'P. P.'

Bill of Exchange

It is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument. It is now-a days very commonly used for collection of debts.

Bill of Lading

is a receipt granted in triplicate by the owner or by a captain of a steamer acknowledging to have received on board the steamer the goods mentioned in it and undertaking to carry them to the port of destination for a fixed remuneration known as freight. It states the name of the ship, the name of the cargo owner, the port of destination, and the several other conditions on which the goods are to be carried. It is a document of title to goods negotiable by custom.

Debentures

are bonds issued by limited liability companies to their lenders when they borrow money. Each bond represents a fixed sum, as Rs. 100—0—0 Rs. 500—0—0 and so on, and in it are stated the terms and conditions on which the amount is borrowed.

Days of grace

These are three extra days allowed over and above the period stated in a negotiable instrument when its due date is calculated. Previously allowing days of grace was only optional but after the passing of the Indian Negotiable Instruments Act days of grace have to be allowed compulsorily.

Pro-forma

Any document prepared as a matter of form is called pro-forma. In mercantile custom proforma invoices and Account Sales are sent to customers and consignors abroad so that they may know beforehand the probable cost of the goods they wish to purchse or the probable net proceeds of a consignment respectively.

Salvage

is a reward granted to a ship or others by whose efforts a ship or other property in danger of being perished either by fire, enemies, or by a maritime accident is saved. Sometimes this term is also applied to the property saved.

Blank cheque

is a cheque in which the drawer simply signs his name without filling up the date and the amount. In this case the above particulars are left to be filled up by a trusted person to whom instruction is previously given. By so doing the drawer exposes himself to a serious risk as there is a possibility the cheque may come into the hands of an unauthorised person who may make use of it in his own way.

Bought note

This is a document sent by a broker to his client when he purchases any share or other commodity in a market on receving instructions from the latter.

Specie

This refers to gold and silver minted into coins circulating within a country as currency.

Reviews.

ENGLISH FOR PRESENT-DAY EXAMINATIONS
BY P. Leach, F. C. I. S., F. I. S. A.,
and J. B. C. Barnard, B. A. (Hons.)(London).
Demy 8vo. 241 pp. Price 6/-.
Published by MacDonald & Evans, 8 John Street, Bedford Row, London. W. C. 1.

This Book is specially written for the use of candidates appearing for the examinations of the Civil Service Commissioners and other professional examining bodies where a paper on English is usually set. Though, it is not a teatise on English Grammar, it deals, in a masterly way, with the general principles of essay writing, sentence construction, punctuation, style, common grammatical errors committed by youngmen, paraphrasing etc. Precis writing, a subject to which many of the examinees are unable to do full justice, is very carefully and exhaustively dealt with, extending over a hundred pages of the book. The model answers given to typical questions on precis culled from the questions set by the Chartered Institute of Secretaries and other examining bodies of repute, are really excellent and should prove models to be imitated by the examinees. Another important feature worth noting is that the book contains a special chapter on the interpretation of statistics wherein the basic principles of interpretation are lucidly explained by means of suitable illustrations and diagrams. We believe this book should prove extremely useful not only to the English, but also the Indian students preparing themselves for the Indian Civil Service and other competitive examinations held in India, such as those of the Central and Provincial Public Services Commission.

A GUIDE TO CORRESPONDENCE FOR BANKERS AND OTHER BUSINESS MEN.
BY
B. L. K. Henderson and R. W. Jones.
Crown 8vo. 136pp. Price 2/6 net.
Published by MacDonald & Evans, 8 John Street, Bedford Row, London, W. C. 1.

Dr. Henderson, the author of "The English Way" and several other books on English Composition is not an unfamiliar figure to business men and students of commerce. In this small book he wants to set up, and has actually succeeded in doing so, a thoroughly new fashion in the art of writing commercial letters. His constructive criticisms about the hackneyed phrases peculiar to business men such as "I beg to ....", "and oblige", "Yours of even date", "enclosing herewith" etc., are worthy of careful study with a view to avoiding them. His advocacy of avoiding words and phrases that do not in any way add to the clearness or force of what one is going to say is indeed quite welcome and worth putting into practice. The importance of writing a good letter which he rightly says "reveals the personality of the writer" is clearly emphasised in every part of this book and the specimen letters he has included in it are well chosen and they should serve very good models. We are sure any one who has to write letters frequently, on going through this book, will find that he has much to learn in modern letter writing and that the fund of useful, correct and up-todate information contained in it is worth digesting to be put into daily use with a view to increasing the prestige and reputation of his business house.

Edited and Published by Mr. T. Kalyanasundram, D. Com., F.R. Econ. S. (Lond.) Principal, Kalyana Institute of Commerce, 267, West Masi Street, Madura, (S. India) and printed on behalf of the publisher, The Harisamaya Divakaram Press, No. 3. Manjanakara Street, Madura, (S. India.)

401

Registered No. M. 2862.

1142

INDIAN COMMERCE.

Editor: T. Kalyanasundram, D. Com., F. R. Econ. S. (Lond.)

Annual Subscription Rs. 3. | **Published on the 15th of every month.** | **Single copy As. 4**

VOL. II. MAY 1934. No. 17

CONTENTS.

INDIAN COMMERCE

A high class English Monthly devoted to
Trade, Commerce, Industry, Finance, Banking, Foreign Exchange, Co-operation and Commercial Education.

Office: 267, West Masi Street, Madura. (S. India).

Annual Subscription Rs. 3] Published on the 15th of every month. [Single copy 4 As.

Vol. II. *May, 1934.* *No. 17*

BUSINESS NOTICE.

Subscription:

Inland: Rs. 3 per annum. payable in advance. post free in India, Burma and Ceylon. If by V. P. P. Rs. 3-4-0. Single copy 4 as.

Foreign: 7sh. 6d. per annum, payable in advance. post free to any part of the world. As it is not possible to recover the subscription by V. P. P. from foreign subscribers, they are requested to remit the annual subscription by means of British Postal Orders duly crossed and made payable to Mr. T. Kalyanasundram, Managing Editor, "Indian Commerce", 267 West Masi Street, Madura, South India.

Contribution.

The Editor invites contributions to this Journal on subjects within its scope. Articles intended for publication should be clearly written, or if possible typewritten, on one side of the paper only and should bear the name and address of the writer, not necessarily for publication, but as a guarantee of good faith. Rejected manuscripts will be returned only if the necessary postage is enclosed.

Advertisement Rates.

(for single insertion)

	On ordinary page	*On wrapper*
Full page	...Rs. 12-0-0	Rs. 18-0 0
Half page	...Rs. 7-0 0	Rs. 10-0-0
Quarter page	Rs. 4-0 0	Rs. 6-0-0

For contract rates please write to:

THE MANAGER,
'Indian Commerce',
Madura, (S. India).

Sir James Grigg and the Task Ahead.

By the time the current issue of the 'Indian Commerce' is published, Sir James Grigg, the new Finance Member to the Government of India would have taken charge of his duties of the Indian Finance Membership, and we have great pleasure in extending to him a hearty welcome to his new sphere of work which is indeed a highly responsible one. That he takes charge of an important port folio in the administration of the Government of India at a time when the financial affairs of the country are likely to undergo a number of changes in his tenure of office, consequent upon the promised grant of a further instalment of Reform to the country, makes his task all the more highly responsible and at the same time very instructive too The Reserve Bank of India, a measure of far reaching importance on which future historians of Indian finance will have much food for thought has to be shortly brought into being by him and it will form the first and foremost act of financial states manship on which the people of India will have an early opportunity of passing a verdict. It seems his predecessor Sir George Schuster has done well in not hurrying through the inauguration of the Reserve Bank, though the Reserve Bank Bill has received the Viceroy's assent and has become Law as early as March last. We think the main object in so doing should be that Sir James Grigg on whom the responsibility of working the Reserve Bank Act lies should have the opportunity of studying it and then evolving a plan for its working according to his own way, thereby taking the entire burden of its working on his own shoulders, leaving no room for him to say afterwards that he had to simply carry out the intentions of his predecessor with no freedom for him. The successful way or otherwise in which this important financial institution affecting the destinies, both of the Government of India and the Indian public, is organised, should raise or lower the credit of India in the international world of finance. According to the Indian Reserve Bank Act, all the important appointments, viz., the Governor, the two Deputy Governors, the members of the first Central Board and those of the five Local Boards are to be nominated and the way in which the personnel for these appointments are chosen by the Governor General on the advice of Sir James, should infuse confidence in the minds of the Indian public, because they have much misgivings on this important provision in the Act. Further, in the wide distribution of the shares of the Reserve Bank among the sons of the soil too, we need hardly say, he should have a special eye.

Again it has been cast to his lot the duty of successfully working the Sugar Excise Duty and the Match Excise Duty Orders which, in spite of the country-wide opposition to their being brought into force, have been passed. Though these legislations have been carried out in the interest of budget equilibrium, we are sure a number of difficulties and hardships will crop in the way of their actual working, and we think we may not be wrong in our assumption that, coming as he does fresh from England where he has been instrumental in no small measure in securing the financial recovery during the last two years, he will, in course of time, find out measures, by suitable modifications of the above Acts, to overcome them and thereby liberally help the Indian Sugar and Match industries. We think we need hardly quote here a catalogue of the duties he will have to shortly face with, but suffice it to say that in his financial administration his criterion should be the interest of India first and then that of others, and if that be his desire, as we understand it is, we are sure he will earn the gratitude of the country. Let us wait and see.

Shorthand Dictations in the Govt. Technical Examination, April 1934.

We invite the attention of the Commissioner for Government Examinations and the Board of Examiners in Commerce to a letter published on page 157 of this issue wherein the correspondent expresses his grievances on the dictation for the shorthand lower candidates. Fearing that by the time this Journal is published it may be late in giving expression to his feelings and as such the chances of obtaining best remedies may be lost, it seems, he has also sent a copy of it for publication in "The Hindu" of Madras and it has been published in the Hindu Educational Supplement dated 8th instant. Another letter under the initials of C. H. R. appeared in the same paper wherein also the writer has found fault with the dictation in a pointed manner. From these we think that similar experiences should have taken place in several other centres also and that the complaints are genuine.

The success of candidates in shorthand examinations depends in no small

measure upon the way in which the dictations are given. To be a dictator in shorthand it is not easy and as such every Tom, Dick and Harry cannot act as such. Though this year the nominee of the District Collector who dictated the passage in each centre may be a qualified person in that he has been a good note-taker or camp clerk having passed shorthand, it does not follow that he should also necessarily be a good dictator of the passage too. A dictator should have a loud and distinct voice, and above all, should have the capacity to strictly adhere to speed and to satisfy the last condition, he should have a constant practice in giving dictation and therefore none but a shorthand teacher, whose daily duties require him giving dictation to his pupils, can do full justice to a task of this type. If the authorities have aimed at economy in expenditure by saving dictation fees to non-officials, we think it is unfortunately an ill-advised measure and if on the other hand their aim was making provision for dictation by a uniform class of men in all the centres to overcome the possible complaints on account of bad dictation, they have committed an error of judgment.

Ever since 1924 when the appointment of Chief Superintendents has been made from the ranks of Deputy Inspectors of Schools, the Government Technical Examinations are being conducted in a manner giving room for several complaints from the candidates and as an instance we may quote an incident. In 1929 or 1930 we know of an incident at Trichinopoly where the candidates numbering about 60 or so unanimously refused to take down the dictation for shorthand lower given by the Chief Superintendent himself which was not up to the mark and their representations to the authorities have been of no avail. If at all there were a few centres where the Government Technical Examinations were conducted without complaint, they were only such centres as Calicut, Vizag and Madras where the Heads of the respective Government Schools of Commerce had acted as Chief Superintendents. If those Institutions were in existence to day, we are sure, their Heads would never have tolerated a nominee of the Collector to give dictations in shorthand in preference to their own shorthand teachers in their schools

To overcome these difficulties we would only suggest that the Chief Superintendents should be given explicit instructions to appoint only qualified and experienced Instructors for giving shorthand dictations and to announce the names of such dictators to the candidates at least a week before the shorthand examination day, so that they (the candidates) may, if they like, take dictations from them for a week and thus get themselves accustomed to their peculiarities such as distinctness of voice etc. Otherwise there can be no end to complaints of this type and the careers of many a youth in shorthand will be spoiled on account of bad dictation, with a consequent loss of money to their parents in these days of severe economic depression, coupled with a discredit to the candidates of having failed in their examinations for no fault of their own. For this year we would suggest that the examiners in shorthand may be instructed to value the answer papers very sympathetically and from 1935 onwards our suggestions may be given effect to so that the dictators may command the confidence of the examinees and the dictations may be in conformity with fairplay to both the parties.

The Problem of International Trade - The Outlook in India The Future of Japan in World Markets - A Review.

BY

ARTHUR WILLIS.

At the Eightieth Ordinary General Meeting of the Shareholders of the Chartered Bank of India, Australia and China, held on the 28th March 1934, at 38 Bishopsgate, London, E. C., Mr. Arthur Willis, the Chairman presiding said:—

International Trade

Most of us here to-day had hopes that the Economic Conference which met last Spring would result in something tangible in the way of international co-operation by evolving schemes for the alleviation of world depression, but the attitude of President Roosevelt—convinced that America's domestic problems required his first consideration—was to discourage any definite movement in that direction, and this meant the virtual failure of the Conference from its start.

Notwithstanding this setback, however, there has certainly been a steady improvement in the industries of the United Kingdom during the past year, as is brought out by a study of a composite index started in 1924. This index is built round some 20 different items, such as employment figures, building activity, consumption of cotton, iron and steel, foreign trade, and so on. Starting in 1924 at 100, this index, as you can well imagine, has shown tremendous fluctuations during the past 10 years of difficult trade. It dropped to its lowest point of 93.3 in May, 1932, but in June last year it came back to the 1924 figure of 100, since when it has gradually moved up until at the end of February this year it stood at 107.8—an increase which I think you will agree gives ground for encouragement.

To what causes are we to look for this improvement? I think they are as follows:-

1. The exceedingly cheap money during the last 18 months.
2. The temporary advantage still being enjoyed by Sterling through the departure from the gold standard.
3. The new tariff policy.

The position of affairs at present may be considered satisfactory as far as it goes, but without a steady flow of international trade one is left with the uneasy feeling at the back of one's mind that a point of saturation for the absorption of the goods turned out so easily by our modern factories must sooner or later be reached, and there can be no complacency when we still have nearly 2½ million unemployed workpeople. With their dependants, this unemployment must affect quite 6 million of our population, whose consuming power on a dole or subsistence basis must be in the region of 30 per cent. below normal.

Looking abroad, I think there is evidence of some all-round improvement in the domestic trade of nearly every manufacturing country throughout the world, which is due more than anything else to what can best be described as intense economic nationalism.

Producers being unable to break through the tariff barriers erected on every hand, are forced to concentrate on their home markets. In this policy nearly all are receiving Government aid in some form—either by quotas, restrictions, tariffs or subsidies, but this "turning-inwards" on the part of the various nations must, in course of time, lead to a lower standard of living than would otherwise be the case; for this reason, when an industry requires permanent protection to insulate it in Home market against the world price of any particular commodity, it surely follows that the consumer in the Home market is paying a higher price than he need for that commodity.

I need hardly labour the point that in a world in which economic self-sufficiency is the dominating factor, the great British businesses of Overseas Banking, Shipping, International Investment and Export Trades —such as textiles and coal—can but play in such circumstances a much smaller part than hitherto.

To illustrate to you in terms of gold value the tremendous shrinkage in International trade, the following are the latest figures issued by the League of Nations:

Taking 1929 as 100:

In	1930,	it	dropped	to	81
,,	1931	,,	,,	,,	58
,,	1932	,,	,,	,,	39
,,	1933	,,	,,	,,	35

There can be no real optimism when one is confronted with figures like these.

One asks oneself what are the remedies for this disastrous state of affairs; in my opinion, there must be a more liberal attitude of mind in every country in facing up to the problem, and the solution would appear to be:

(1) Freer trade—a general agreement among nations willing to trade freely, and the breaking down of the entanglements now imprisoning international commerce.

(2) The abolition of subsidies–especially shipping subsidies.

(3) Stabilization of Currencies.

There are welcome signs at the moment that the various nations who have embarked on ruinous subsidies since the war are beginning to find that they are unable to afford such expensive luxuries, and are now looking round to see where they can compromise between international trade and economic notionalism.

As Great Britain is still the best market in the world for every trading nation, we hold an unrivalled position for bargaining purposes, and the recent trade agreements—although up to now they are fewer than we hoped to see—indicate that our Government are on the right track in their policy for the revival of our sorely stricken overseas trade.

The Outlook in India

The past year in India has been one of slow but steady progress due in a great measure to a more tranquil political atmosphere,

and the financial position of the Central Government, though still requiring great care, is extremely sound. Recent statistics indicate that taking the eight major Provinces together, the fall in agricultural income at present, compared with 1928/9, is in the neighbourhood of 47 per cent., Bengal heading the list with 54 per cent. Shipments of raw and manufactured jute, raw cotton, rice and oil seeds have all shown advances in value, as well as volume in recent months, a recovery which is satisfactory as far as it goes, but it is well to remember that India's favourable balance of trade is still very largely dependent on gold shipments, which have now reached the gigantic figure of over £135,000,000 since Great Britain left the Gold Standard. The releasing of these hoards has in effect been like the tapping of an unexpected gold mine; they have been an inestimable boon both to the Government and to the peasantry, but it is obvious that this source of potential export cannot continue for ever.

The figures of India's overseas trade for the past five years are illuminating, viz :—

		Exports (Including Re-Exports). Crores of Rupees.		Imports. Crores of Rupees.
1929	...	329	...	248
1930	...	257	...	185
1931	...	169	...	135
1932	...	138	...	133
1933	...	147	...	116

I would like to emphasise that these figures are in respect of merchandise only, and take no account of gold—the export figures of which I have just given you.

It is not surprising, therefore, that owing to this tremendous shrinkage, the earnings of all classes in India have been so adversely affected, making the task of the Government of India in keeping a balanced budget a feat worthy of the greatest admiration and praise.

I must make a brief reference to the establishment of the new Reserve Bank.

The bill for the setting up of this Bank, which is to be free from political influence and is a prerequisite of the proposed Federal constitution for India, was finally passed by the Council of State for India on the 6th ultimo, and marks an epoch of the first importance in Indian Banking. It is only necessary to say at this juncture that the functions that this Bank is intended to perform are naturally quite apart from the business in which the Exchange Banks are engaged.

Indian Sugar Expansion

I should like in passing to draw attention to the amazing expansion which has taken place in the growing and manufacture of Sugar in India.

Under the powerful stimulus of a protective tariff of 200 per cent., the number of sugar factories and refineries has increased from 44 in 1931/2 to 135 at the present time; as a result of the increased domestic production from these factories, imports of sugar into India, which were round about one million tons per annum up to 1932, have come down to less than half that figure, and by 1935 are not expected to amount to more than 100,000 tons.

At the present rate of expansion, it would seem that India may one day, in the not too distant future, become herself an exporter of sugar.

In this year's Indian Budget it is proposed to levy an excise duty on factory-made sugar, a portion of which it is interesting to note is to be allotted to Provincial Governments for the purpose of encouraging co-operative societies amongst the cultivators of sugar cane to enable them to improve their selling organisation. There is also a further proposal to fix a minimum price for cane.

Indian Cotton

Few of the Cotton Mills within the City of Bombay have paid a dividend for the past four years, and conditions in 1933 were worse than ever before in the Cotton Trade generally; with antiquated machinery, the Mills were unable to compete against the organisation of Japan, and the heavy duties specially imposed during the year for the protection of the Indian industry were counterbalanced by the fall in the Yen. The Japanese Mills had laid down very large stocks of Cotton in the season of 1931/32 when the Yen was at 1s. 10d. and were able to export their production at an exchange of 1s. 2½d. The troubles of the Bombay Mills were accentuated by certain financial difficulties.

The local Cotton Market was further affected by the Japanese boycott of Indian cotton as a protest against the protective duties; and the long drawn out negotiations between the two Governments did not reach a conclusion till the very end of the year, when it was announced that in future the import of Japanese Piece Goods into India would be restricted to bear a certain defined relation to Japan's takings of Indian cotton.

How far the scheme will succeed it is yet much too early to judge; but it is conceived in the interests of both the Cotton Trade and the Mill industry of India, and it is perhaps not too much to hope, that it will bring back some prosperity to this important branch of India's business.

Indian Earthquake

No brief survey of our Indian interests would be complete without mention of the appalling Earthquake in the district known as Behar and also in Nepal in January.

It is now being realised that in addition to the great loss of life which occurred, the Earthquake did more damage to growing crops than was at first believed, and it will, no doubt, be a considerable time before it is possible to appraise how much India has suffered owing to this dreadful catastrophe.

It will be a relief to you to know that the Bank's properties in the affected areas suffered no damage of any importance through the Earthquake.

Along with the other Eastern Banks your Directors have made a generous donation to His Excellency the Viceroy's Relief Fund, which I have no doubt will have your approval.

China and Her Problems

The business of the Bank in China has been satisfactory, though it has not shown

the expansion which would naturally be expected in so great a country. The valuable report on trade in China recently issued by the Department of Overseas Trade reminds us that, with a quarter of the world's population within her borders, China is responsible for little more than 2 per cent. of the world's trade. In common with other countries, China has been affected by conditions of general trade depression, and the impact of the depression has fallen with special severity upon those who are engaged in her foreign trade, whether they be Chinese or foreigners. As the main function of the Bank is concerned, directly or indirectly, with the assistance of foreign trade, the interests and prosperity of the Bank are affected by the fluctuations and developments in that trade.

The slackening in world demand for China's exports has curtailed her capacity to pay for imports, and, in spite of good harvests which have stimulated internal trade, her imports have declined. Two thirds of her total exports in the first six months of 1933 were required to pay for imported wheat and rice—a severe handicap for an agricultural country intent on a programme of industrial development and largely dependent on outside supplies for heavy-industry equipment.

China's desire to extend her domestic industries is reflected in the development of cotton textiles, which constitute her most important manufacturing industry. The excess of imports of raw cotton over imports of cotton goods is marked, and imported cotton-cloths of the cheaper grades are being gradually replaced by goods of local manufacture. There are indications of agricultural and industrial activity in many other lines, notably in the production of wheat, cotton, tea, silk, and many minor industrial products in general demand, which have received a stimulus from cheap silver tantamount to a protective bounty on local production.

The evidence suggests that it will be increasingly difficult for manufacturers in this country to compete with those established on the spot, whether purely Chinese or on a Sino-foreign basis, in the production of the cheaper textiles and similar articles, the articles which are generally known as "Consumers' goods". It is apparent, however, that, with the increasing prosperity of local industries, the wealth of China will increase, and that she will offer an expanding market for articles of high quality; also for "Capital goods" such as railway equipment, public utility equipment (electric light and power, gas and water), equipment for factories, motor-buses and trucks, aircraft, and river and coastal vessels, for which our industries are well equipped.

The determination of the Chinese to develop their country, its railways, its roads, its industries and its general productive powers is, therefore the concern of the Bank, which spares no pains to co-operate with all who are engaged (whether in this country or China) in the expanding economic life of the Republic.

The development of China, its communications and industries, would be facilitated and hastened by a free flow of capital from the West, to which the main obstacle is presented by defaults on railway obligations to foreign lenders.

Before concluding my remarks on China I desire to pay a tribute to the achievements of Sir Miles Lampson, who has rendered great service to British commerce and British interests by personal contact with Chinese leaders in the fields of Government and trade.

Japan in World markets

When addressing you last year I sounded a note of warning in regard to the increasing competition of Japanese goods—and especially textile goods—not only in the Far East, but in the markets of the world. During the year under review this competition has become so acute that it has attracted attention in every industrial community, and has led to allegations of "dumping" and unfair competition.

In fairness to Japan it is well to remember that there have been natural and justifiable causes for her trade expansion. Firstly, during the war period, when the United Kingdom was cut off from her Eastern markets, Japan's trade expanded rapidly, and she is credited with having accumulated foreign balances totalling something like 3,000 million Yen. Those balances stimulated her imports, and for many years she imported more than she exported, thus creating an unfavourable balance of trade, which was one cause of the depreciation of the Yen—and incidentally of her present price advantage.

Secondly, Japan's population is increasing at the rate of about one million a year, and she finds it necessary to import increasing quantities of raw materials, cotton and wool, iron and coal, rubber and oil to meet the demands of expanding home consumption, and expanding production for export.

Thirdly, she has spent considerable sums in Manchuria which constitute an invisible import.

Japan's Trade Returns indicate that her imports for the first 9 months of 1933 increased 50 per cent. in value compared with a similar period in 1931, and an intensive export drive became essential in order to maintain a balanced economy.

The export trade has undoubtedly been stimulated by low costs of labour; but the technical efficiency of factories, the process of 'rationlisation", increasing efficiency and reduced costs in industry, in transport, in finance and in marketing, have all contributed to Japan's phenomenal expansion as an exporting nation.

I shall not attempt to suggest remedies for a competitive struggle which is now engaging the earnest attention of our statesmen and industrialists. But we are bound to face the facts of new forces in the Far East, and we must find adjustments in industry, in trade and in finance which will enable the goods that can be produced in this country at a comparative advantage—the goods of a highly capitalised, high-grade and heavy-industry community—to find increasing outlets in countries such as China and Japan.

It is the desire and the function of the Bank to facilitate every process which encourages enterprise and the free circulation of commodities, and to maintain those relations of good-will, co-operation and mutual understanding on which are dependent the healthy expansion of trade between this country and the countries of Eastern Asia.

Silver

Merchants and Banks operating in Silver-using Countries have to grow accustomed to wide variations in the sterling price of Silver. The difference of 4d. per ounce between the highest and lowest quotations in 1933 after all is only a reasonable average over the last decade. Provided fluctuations are not too violent and sudden in their application, the disturbance to trade through exchange movements need not necessarily become unduly harassing or embarrassing. Price variations as the result of supply and demand are natural and understandable but it may be assumed that last year the fluctuations were mainly caused by speculative influences based on the prospect of artificial manipulation from outside.

The highest quotations of the past year occurred on 1st May when 20½ for spot and 20/9/16 for two months forward was officially quoted in London. The deliberation in London of the Monetary and Economic Conference called a month later were expected to result in higher Silver prices. The terms finally agreed upon by the signatories in July (subject to ratification) were not considered *per se* a strong bull factor, and combined with fairly heavy Continental selling, prices faded away. Probably the most the Conference achieved was to clear the decks to make room for legislative action by America in their much talked-of schemes to rehabilitate Silver. Much as we may be in sympathy with American desires to raise commodity prices the world over to a reasonably higher level, as far as China is concerned I prefer that her currency should have an enhanced sterling or gold value as the natural effect of a greater demand for her exports. When China produce is moving to consuming centres it is only reasonable to expect larger imports to eventuate in the long run. Stultify her exports through an artificially created higher exchange level, and you immediately bring about an unhealthy position on the import side.

India's demand for Silver has slackened considerably during the past year, and the daily offtake in the Bazaar has continued at about 35/40 bars per day. Probably India's position is not unlike that of China, and the buying of Silver is a barometer of her prosperity. The Indian Finance Minister stated in a recent speech: "There can be no hope of any real recovery until India starts buying Silver again, and this she cannot do until our exports of merchandise recover to a normal figure". It was announced in February last that the import duty on Silver into India was to be reduced from 7½ annas to 5 annas per ounce, but while present conditions in India exist it is unlikely this reduction will improve India's power to buy.

China abolished the use of the Tael in April last, and the transition to a uniform Silver dollar was accomplished with very little inconveniece. The safeguards laid down to ensure the silver content of the dollar appear to have been satisfactory, and in lieu of the multifarious Taels at different points, the change round should have its distinct advantages to trade.

TIN.

To turn now to Tin and Rubber, in the finance of which products the Bank is greatly interested, the principal features of the year as far as Tin is concerned were the increase in price from, say, £140 to £230 per ton and the decrease in stocks from 56,000 tons to 29,000 tons—both mainly the result of largely increased American consumption.

The Restriction scheme still remains in force, but its conditions have been relaxed as from the beginning of 1934, when the production quotas were raised from 33⅓ to 40 per cent. (with certain readjustments) based on the 1929 assessments

Owing to the enhanced values which have obtained, especially during the latter half of 1933, the Malayan mining industry has worked to considerable advantage with corresponding benefit to the Colony and to those interested.

Prospects seem to point to further improvement during 1934, when it is hoped that a continuance of improved consumption will allow further relaxation to be granted in restriction of production.

RUBBER.

As regards rubber, a great change has come over the scene since I addressed you a year ago. Rubber was then only just over 2d. a pound—a ruinous price—and the general outlook for the planting industry was far from encouraging. But these very factors were having their effect, and, under spur of economic necessity, fresh efforts were made to revive the question of restriction of output. To-day it is common knowledge that a restriction scheme has been under consideration for some time past by representatives of the planting industry, and it is rumoured that sufficient progress has been made to justify the expectation that the adoption of the scheme by the Governments concerned is likely to follow before very long. Press rumours and reports from time to time during the past year as to the progress of these negotiations have been mainly responsible for the steady rise form 2 3/32. to 5 5/32, which is the price to-day; but other influnces have also been at work, and the chief of these has been the general improvement in trade and industry, notably in the U. S. A., which takes roughly, half the world's production of rubber. The total consumption of rubber in 1933 was 810,000 tons—an increase of approximately 140,000 tons on each of the preceding three years, and an increase of 13,000 tons on the record year of 1929 It is worthy of note in this connection that although the U. S. A. used 60,000 tons less in 1933 than she did in 1929, the consumption in other countries increased by 73,000 tons—Japan's total, for example, was nearly doubled during the period, rising from 35,000 tons in 1929 to 66,000 tons in 1933.

But on the other hand, production under the stimulus of better prices has also increased to an equal extent, and many of those who are closely in touch with rubber maintain that unless production is checked and controlled to keep pace with consumption we shall almost certainly be faced with another period of disastrously low prices. Production for 1934, judged by the present rate of output, is expected to exceed 1,000,000 tons while I understand that consumption is not likely to reach 900,000 tons. Existing stocks of rubber in the world exceed 500,000 tons, and although this quantity is not considered by most experts to be excessive for the world's needs, the adoption, in face of the above figures, of some scheme of compulsory restriction of output embracing all countries seems to be the wise course. We must hope, however, the day will come when full production can be marketed at satisfactory prices.

THE FUTURE OF BUSINESS.

I feel it difficult to speak anything but guardedly about the future. I think one can say that in nearly all the countries in which the Bank operates there has in the past year been generally some improvement, and one can only hope that this will continue. Countries like the Malay States, Siam and the Dutch East Indies, which enjoyed such unbounded prosperity for more than 20 years, have suffered more than most because of the appallingly low prices received for their products. However, thanks to Tin and Tea restriction and the likelihood of a Rubber restriction scheme—prices of these different products show definite improvement as compared with a year ago.

You are, of course, well aware of the great difficulties which confront a Bank like ours which lives by international trade; the difficulties are very real and in all the circumstances I hope and think you will agree that our results for the past year can be considered satisfactory, and reflect much credit on the management.

The Interior Market.

BY

J. S. PONNIAH, M. A., Dip. Econ.

Now let us follow the track of the slow moving bullock cart in which the cotton bags are loaded and which alone for years to come should and would continue to be the vehicle for carrying the produce from the farm to the market in all the countless outlying villages away from the railway stations.

The carts laden with the cotton bags and a little stock of hay leave the village often in twos and threes. The dealers get upon them and stretch themselves comfortably if it is night time or day time; they cannot have the facilities of travel by train or bus. They must travel with their merchandise. The carts rock this way and that and jolt violently too in the u,s and downs of the track. These bullock-cart tracks become unpassable in the cold weather and the ryots in the fields nearby come joyfully and willingly to lift the wheels and push the cart out of the mire and the mud. Are due allowances and compensations computed by the ryot or the public for these expenses and inconveniences of cartage?‡ When once the neighbouring road is touched, all are gay—the owner of the cart, the dealer and the bulls too. Chewing the betels, everybody goes merrily to the "cotton market".

Some ten to twenty years ago the "cotton market" was the special prerogative of a few select towns, just a handful in each district.† Thither the dealers went. The Tenkasi-Virudhunagar chord line has however now caused a revolution in transport. It has dispersed the marketing of cotton to all the intermediate trade centres. It has enabled the dealer to travel by bus or train and avoid the tedious walking out the whole distance. He can also now ship the cotton to the distant markets by rail, if he still prefers to send it there. Otherwise he is content to sell it in the nearby intermediate markets. There is now no 'fear' of taking care of his purse containing the rupees and therefore no need to travel armed with his knife and stick.

The large dealers in the older markets look upon these new markets with a good deal of disfavour. They are sometimes spoken of contemptuously as 'interior markets'. But these new centres have marked quite a revolution in the art and economics of cotton marketing for the villagers.

While there are diversities in the conditions of these intermediate markets, there has been one common feature in regard to the evolution of most of them. Invariably they have developed as the offshoot of a ginning factory—a small scale and petty concern as it should appear to western observers, as they seldom contain more than half-a-dozen § saw gins, old fashioned and ill-housed in badly and clumsily built sheds or masonary buildings. But what an amount of enterprise it has called forth! A local patriot, or a capitalist has been responsible for this venture. Sometimes the large exporting firms or the largest cotton spinners of this area, the Harvey Bros. (now the Madura Mills Company Ltd.,) have taken the initiative to open these 'agencies' if the establishments were not equipped with gins or "branch factories", if they were which by the way are the best. The buyers were originally these European exporters and spinners; but the local men imitated them and have now established themselves as successful rivals.

A market place for the carts to stand, sheds where the bags could be stored—an apology for warehouses—a raised platform containing a desk and a few books on passing for an office, have all sprung up. Eventually there may be a walled structure, around and a large market created, but it is not yet. Each dealer has his own "compound" into

‡ Road statistics
† Dates of the establishment of the bigger market.
" " smaller ones in each distri t.
No. in each district. Average number of gins per establishment.
§ No. in each case
Rajapalayam, Ramnad Dt.

which his customers—the village merchants, who have taken money in advance—drive their carts. Or it may be that all dealers have only one "compound", one market place. Or things may present an undeveloped stage of organisation. The carts all stand on the road side. The merchants have to go to these "stands" at the time which suits their convenience and negotiate the purchases independently † Whatever be the stage of evolution of these market places most of them have developed and are being developed only after the establishment of ginneries. In some out of the way markets of this type the ginner is the only customer.‡ But in all the rest where a good variety of cotton is raised (C2) and a large demand exists there are a host of purchasers, local and outside.

What have these new dealers of the interior markets done to the ryot? Or have they simply increased their species—the middle men? Why are they multiplying? Have they rendered any conspicuous services which give rise to the large increase of their number?

The answer is conclusive. They have abridged the distance between the farm and the market, which in olden times was considerably too far away; so much so the price news and market conditions are today better known in the villages than before. This has resulted in the diminuition of the expenses of carting for the village merchant and the resultant benefit of the profit is shared between the village merchant and the ryot. Risks in price fluctuations are spread over a larger number of middlemen buyers now than before; and thereby a greater steadiness in prices has been secured. The market so close to villages has tempted the entry of such a large number of village merchants and buyers in the market town that competition among them has enabled the ryot to secure fair prices for their cotton. Moreover, he gets his "seed"—either for sowing purposes or as his cattle feed—also cheaper; the transport of his kapas to a distant market where the gins separate the cotton and the seed which the ryot or the villy merchant had to transport at great cost. The gains are indeed inconsiderable. The visible proof is that half the gins of Messrs. Harvey and Ralley are idle at Satur, the place most severely affected by this development. The larger merchants in these centres are obliged to swift their business to the new centres. The inexorable law of dispersion is working this tendency.

If such are the beneficial consequences of the multiplications of these middlemen, why then, one hears of a vigorous denunciation of them and a demand for their extinction. If only wish could accomplish such an end, it is easy to deplore the emergence of these middlemen who have interposed themselves between the larger wholesale buyer and the ryot Is it always true that the spinner if he purchases it directly from the farmer would offer more reasonable prices? Surely not.‡ Report of the Special Officer

† Tuticorin. ‡ At Aruppukottai Ramnad Dt, there are two ginneries. It is curious to note that in spite of the large production of cotton and still larger quantities of cloth manufactured, there are no buying merchants of unginned cotton. The reason is the proximity of the great Virudhunagar market:

‡ It is given for what it is worth. I do not take responsibility for the accusation and perhaps there is no need for ascertaining the defence of the accused.

who investigated this question for the Government of Madras in 1890.) But let us candidly admit the results that have flowed to the ryot as a result of their emergence. We wish them go off the stage. In an ideal state of marketing—and perhaps even in the next stage of our market development, we can dispense with them; but in all fairness the services that they had rendered should not be ignored. It would be a great gain if they were preparing the ryots and the villages to a more economical system of marketing.

The enthusiastic reformer proposes to eliminate these middlemen by the substitution of a co-operative method of marketing—the ryots coming together directly to these markets (without the assistance of the village buyers) pooling their cotton, grading it, and selling it. A delightfully simple solution, excellent ultimately undoubtedly, but for a considerable period, it is not likely to be made practicable immediately. The question is discussed at length at a later stage.

Organisation of a Commercial Office.

BY

B. G. BALAKRISHNAN, A. C. R. A. (Glas), D. Com. I. M. C.

(*Continued from page 109: April 1934 issue*)

The serial number that is given in the Inward Correspondence Register to each letter received, whether Enquiry or Order, is adopted in the replies to customers, the prefix 'E' or 'O' being given to the number according as the letter received is an Enquiry or Order. When the particulars furnished in response to an enquiry, result in an order, the order is registered in the 'O' Register, and suitable remarks made in the 'E' Register.

It is common knowledge that all enquiries do not materialise into orders; but it is always advantageous to pursue the enquirer, if no order is received within a reasonable time. For this purpose, the "Enquiries" Register will be scanned through periodically, to find out which items have not yet materialised into orders. These cases will be reviewed, and suitable letters written to the persons concerned. It is a matter of experience that these letters are not without effect, and several orders are received which, but for the letters, would not have been secured. Sometimes it will be found advantageous and profitable to instruct the travelling agents to interview the persons who have not yet sent orders for the goods, particulars of which were supplied to them. Seasonal catalogues and price lists, etc., may be forwarded to the addresses in the "Enquiries" Register. Firms which adopt the 'follow-up' system, generally have 'block' letters to be sent in series, till an order is received or for a fixed period of time, whichever is earlier In addition to the correspondence, a card is kept for each address somewhat in the following form:—

Name and address of person (Enquirer)		
Department		
Enquiry received on (Date)		Remarks
Particulars furnished on (Date)		as to order
Follow-up Letter	No. 1 do	No. etc.,
	No. 2 do	
	No. 3 do	
Final letter	No. 4 do	

These cards are arranged alphabetically or in some other convenient manner (such as by Districts, etc.,) and reviewed periodically. It is of utmost importance that the columns should be filled in ***correctly and concurrently*** without fail, as, for example the sending of block follow-up letter No. 2 before No. 1 is sent out, or sending of a block-letter when an order has already been received from the person, is not a little annoying.

In this connection, it may not be out of place to dilate at some length on the use of statistics in business. At first sight, it might be thought that statistics merely mean a mass of figures which are, at best, unintelligible and require only to be filed. But, in fact, the conclusions that are drawn from the statistics are most valuable; to what extent, statistics have helped in the development of business or prevention of losses, can be testified to in an abundant measure by commercial and industrial magnates who have actually been benefited by the use of the figures. The mode of preparation of the required statistics should generally depend upon the object for which it is required; and it goes without saying that, in order to be helpful, the data must be accurate and the method of preparation brought home clearly to the person who is to draw conclusions from them.

Statistics in each business house,—let alone Chambers of Commerce, Department of Commercial Intelligence, etc.,—are compiled for a variety of purposes. The number and value of orders received, enquiries attended to, etc., may be grouped by Districts or suitable areas, and comparative figures taken out. It may be made a rule that the Manager or Director should be supplied, promptly at the end of every month, with figures on standard forms, so that he may compare the figures for previous months in the several areas, analyse the causes for the variation and take such steps as are necessary for the development of business (e. g., advertising in a particular district, etc.)

Similar statements may also be prepared for mothly turnover, monthly expenses, etc. and the percentage for each item of expenditure to turnover struck, in the following form:

Month....................193......

	Amount. Rs.	
Total turnover for the month		
Expenses:	***Amount.*** Rs.	***Percentage to turnover.***
Salaries		
Travelling Agents' Commission		
General Expenses: Rent, etc.		
Insurance.		
Advertising.		

The above items are only intended for general guidance and it may be necessary to sort out the expense items in greater detail. In the case of businesses which are engaged in production or manufacture, separate production statements with columns for quantities, etc., should be prepared.

In order to ascertain whether and to what extent the advertisements in particular journals and newspapers are fruitful, statistics are maintained for each journal and newspaper for orders and enquiries received on account of advertisement in that journal or paper. People may not mention in their enquiries or orders which advertisement, if any, had prompted them to place the enquiry or order. In order to make the advertising statistics correct and complete as far as possible, a suffix (to indicate the name of the journal) is added at the end of the Company's name in the advertisement in the journal concerned. This will ensure the public addressing the firm exactly in the manner shown in the advertisement, and from the suffix the name of the journal can be easily traced.

British India.

OVERSEAS TRADE IN FEBRUARY

The trade returns of British India for the month of February, 1934, as compared with the preceding month, showed a decrease in the value of imports, while exports and reexports recorded increases, states a press note forwarded by H.M. Trade Commissioner at Calcutta from the Department of Commercial Intelligence and Statistics.

The value of imports of private merchandise totalled Rs. 8,75 lakhs, a decrease of Rs. 1,92 lakhs as compared with the preceding month. The exports of Indian produce and manufactures rose by Rs, 1,15 lakhs from Rs. 11,39 lakhs in January, 1934, to Rs. 12,54 lakhs in the month under report. Re-exports also recorded an increase of Rs. 1 lakh and amounted to Rs. 27 lakhs. The comparison of the trade figures for February, 1934, and for the eleven months April, 1933–February, 1934, with those of the preceding month and the corresponding period of the preceding fiscal year is set forth below:—

Movement	Month of February 1934	Month of January, 1934	Increase (+) or Decrease (—) in February, 1934, as compared with January, 1934	
	Rs.(lakhs	Rs (lakhs)	Rs. (lakhs)	Per cent.
Imports ...	8,75	10,67	— 1,92	— 18.0
Exports ...	12,54	11,39	+ 1,15	+ 10.1
Re-exports	27	26	+ 1	+ 3.8

Movement	Month of February, 1934	Month of February, 1933	Increase (+) or Decrease (—) in February, 1934, as compared with February, 1933	
	Rs. (lakhs)	Rs. (lakhs)	Rs, (lakhs)	Per cent
Imports ...	8,75	9,22	— 47	— 5.1
Exports ...	12,54	12,23	+31	+ 2.5
Re-exports ...	27	21	+ 6	+28.6

Movement	Eleven Months, April-February, 1933—34	Eleven Months, April-February, 1932—33	Increase (+) or Decrease (—) in 1933—34 as compared with 1932—33	
	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)	Per cent
Imports ...	1 04,71	1 21,71	— 17,00	—14.0
Exports ...	1,32,00	1,20.09	+11,91	+ 9.9
Re-exports ...	3.08	2,90	+ 18	+ 6.2

Treasure on private account, including currency notes, showed a net export of Rs. 10,10 lakhs in February, 1934, as against Rs. 5,90 lakhs in the preceding month and Rs. 4,90 lakhs in February, 1933. The import and export figures of gold and silver during the eleven months April, 1933—February, 1934, compare as follows with those for the corresponding period of the preceding year:

Movement	Eleven Months, April-February, 1933-34	Eleven Months, April-February, 1932-33	Increase (+) or Decrease (—) in 1933-34 as compared with 1932—33
	Rs. (lakhs)	Rs. (lakhs)	Rs. (lakhs)
Gold imported ...	1,00	1.22	— 22
Gold exported ...	52,69	61,86	—9,17
Silver imported	77	1.55	— 78
Silver exported	72	83	— 11

Measured by the statistics of merchandise and treasure, the total visible balance of trade in February, 1934, was Rs. 14,18 lakhs in favour of India, as compared with Rs. 6,90 lakhs in January, 1934, and Rs.8,14 lakhs in February, 1933. During the eleven months ended February last the visible balance of trade in merchandise and treasure was Rs.82,53 lakhs in favour of India, as compared with Rs. 61,59 lakhs in the corresponding period of the preceding year. The balance of remittances of funds in February, 1934, was ***minus*** Rs. 11,65 lakhs and in the eleven months April, 1933—February, 1934, was ***minus*** Rs. 51,02 lakhs.

CHANGES IN IMPORTS.

As compared with February, 1933, imports of food, drink and tobacco in February, 1934, decreased by Rs. 28 lakhs to Rs. 92 lakhs, imports of raw materials rose by Rs. 2 lakhs to Rs. 1,12 lakhs, while those of manufactured articles fell by Rs. 17 lakhs to Rs. 6,52 lakhs.

Under food, drink and tobacco, imports of sugar, 16 D.S. and above (including beet), declined from 20,000 tons, valued at Rs. 21 lakhs, to 10,000 tons, valued at Rs. 10 lakhs. Arrivals of raw tobacco declined from 528,000 lbs., valued at Rs. 6 lakhs, to 322,000 lbs,. valued at Rs. 4 lakhs. Arrivals of rice not in the husk recorded an increase, having amounted to 16,000 tons (Rs. 9 lakhs), as compared with 3,000 tons (Rs. 3 lakhs) in February, 1933.

Under raw materials, imports of kerosene oil rose by 1 million gallons in quantity and by Rs. 10 lakhs in value. Imports of mineral oils other than kerosene stood at 8·2 million gallons, valued at Rs. 22 lakhs, which meant an improvement of 1 million gallons, in quantity and a fall of Rs. 9 lakhs in value. Imports of coconut oil recorded an increase of 7,000 gallons in quantity, but the value fell by Rs. 2 lakhs. Raw cotton (chiefly imported from Kenya Colony, Tanganyika Territory, Egypt and the United States) recorded a decline of 570 tons in quantity and of Rs. 6 lakhs in value.

Under manufactured articles, imports of cotton yarn and manufactures decreased by

Rs 43 lakhs. Those of twist and yarn fell from 2.7 million lbs. to 2.1 million lbs. in quantity and from Rs. 21 lakhs to Rs. 17 lakhs in value. Under cotton piece-goods, imports of grey goods fell from 25 million yards, valued at Rs. 35 lakhs, to 13 million yards, valued at Rs. 19 lakhs, those of white goods from 30 million yards, valued at Rs. 52 lakhs, to 20 million yards, valued at Rs. 38 lakhs, and those of coloured goods from 25 million yards, valued at Rs. 52 lakhs, to 20 million yards, valued at Rs. 42 lakhs. Under iron and steel there was a slight improvement of Rs. 56,000 due mainly to an increase under beams and channels and steel bars. The number of motor cars imported amounted to 780 and that of motor lorries, buses and vans to 810. The value of motor cars imported in February, 1934, amounted to Rs. 14 lakhs and of motor lorries, buses and vans to Rs. 8 lakhs. There were noticeable increases under dyes and colours (+Rs. 9 lakhs), silk manufactures and chemicals, drugs and medicines (+Rs. 7 lakhs) each, and wrought copper (+Rs. 4 lakhs), while there were decreases under wheat (—Rs. 14 lakhs), piece goods of cotton and artificial silk (—Rs. 13 lakhs), and glassware and earthenware (—Rs. 4 lakhs.)

Variations in Exports.

Compared with February, 1933, exports of food, drink and tobacco in February, 1934, rose by Rs. 28 lakhs to Rs. 2,76 lakhs. Shipments of rice, not in the husk, declined from 174,000 tons to 122,000 tons in quantity and from Rs. 1,11 lakhs to Rs. 73 lakhs in value. Exports of tea improved from 20 million lbs. valued at Rs. 96 lakhs, to 21 million lbs., valued at Rs. 1,46 lakhs. Shipments of tobacco, unmanufactured, rose from 1.1 million lbs, worth Rs. 3 lakhs, to 1·4 million lbs., worth Rs. 5 lakhs. Exports of coffee advanced from 19,000 cwts. (Rs. 12 lakhs) to 35,000 cwts. (Rs. 19 lakhs). Dispatches of spices showed an increase of 13,000 cwts. in quantity and of Rs. 6 lakhs in value.

Raw materials and produce exported declined by Rs. 12 lakhs to Rs. 6,78 lakhs. Under this group raw cotton recorded a decrease of 6,000 tons in quantity and of Rs. 39 lakhs in value. Of the total shipments of 61,100 tons, Japan took 29,100 tons, Germany 7,500 tons, the United Kingdom 7,200 tons, China 5,100 tons, Italy 2,900 tons, France 2,300 tons, the Netherlands 2,200 tons, Belgium 2,000 tons, and French Indo-China 1,200 tons, the remainder being dispatched mainly to Greece and the United States. Consignments of raw jute increased from 52,000 tons to 60,000 tons and from Rs. 85 lakhs to Rs. 89 lakhs in value. Exports of lac improved by 61,500 cwts. to 95,700 cwts. in quantity and by Rs. 35 lakhs to Rs. 46 lakhs in value. Shipments of oilseeds advanced in quantity from 79,000 tons to 87,000 tons but the value declined from Rs. 1,17 lakhs to Rs. 95 lakhs. Dispatches of groundnuts fell from 58,000 tons to 55,000 tons in quantity and from Rs. 89 lakhs to Rs. 57 lakhs in value. Linseed advanced considerably from 6,000 tons (Rs. 8 lakhs) to 19,000 tons (Rs. 22 lakhs). Castorseed rose from 3,000 tons valued at Rs. 3⅓ lakhs, to 4,000 tons, valued at Rs. 5 lakhs. Exports of rapeseed declined by 2,000 tons in quantity and by Rs. 4 lakhs in value, and amounted to 6,000 tons, worth Rs. 7 lakhs. Shipments of raw wool advanced from 1.8 million lbs., valued at Rs. 7 lakhs, to 3.0 million lbs., valued at Rs. 11 lakhs. Exports of raw hides and skins rose by 1,100 tons in quantity and by Rs. 5 lakhs in value. Exports of wolfram ore fell from 300 tons to 200 tons in quantity and from Rs. 4 lakhs to Rs. 3 lakhs in value. Exports of raw rubber recorded an improvement of 1 million lbs, in quantity and of Rs. 2 lakhs in value.

Manufactured goods improved by Rs. 12 lakhs to Rs. 2,83 lakhs The yardage of gunny cloth exported contracted from 77 million to 73 millions, but the value advanced from Rs 78 lakhs to Rs. 80 lakhs. The number of jute bags shipped improved from 26 millions, worth Rs. 64 lakhs, to 30 millions, valued at Rs. 66 lakhs. Exports of tanned hides and skins rose by 600 tons in quantity and by Rs. 13 lakhs in value. There was a decline of Rs. 4 lakhs in exports of cotton yarn and manufactures, while paraffin wax recorded an improvement of Rs. 2 lakhs.

Trade with Foreign Countries: Shipping.

The share of the United Kingdom in the imports fell from 42 per cent. in February, 1933, to 40 per cent. in February, 1934, while in exports it rose from 22 to 31 per cent. The shares of Germany, Japan and the United States in the month under report were 9, 14 and 7 per cent., respectively, under imports, and 7, 15 and 6 per cent. under exports.

The tonnage of vessels entered into British India and cleared outward with cargoes from and to foreign countries and British Possessions during the month of February, 1934, amounted, respectively, to 594,000 and 653,000, as against 644,000 and 620,000 in January, 1934, and 553,000 and 617,000 in February, 1933. During the eleven months ended February, 1934, the tonnage of vessels entered and cleared with cargoes totalled, respectively, 6,637,000 and 6,991,000 as compared with 6,344,000 and 6,528,000 in the corresponding period of the preceding fiscal year.

WEATHER AND CROPS.

The Department of Commercial Intelligence and Statistics, Calcutta, reports as follows on the weather and crops in India for the weeks ended on the dates stated:—

Rainfall.

Calcutta, April 8.—Rainfall was nearly general in Kashmir and Assam on one day, and there were widespread thunderstorms and rain in Assam on one day; otherwise the weather has been dry except for a few falls of rain in some places.

Crop Conditions and Outlook.

Madras, March 31.—No rain has fallen. The transplanting and sowing of paddy is proceeding in parts of the central districts. The paddy crop is withering in parts of Chingleput and North Arcot owing to want of sufficient water, but standing crops are otherwise in fair condition.

Bihar and Orissa. April 4.—There has been no rain. The condition of standing crops is good. The harvesting and pressing of sugarcane continue and Dalua paddy is being harvested in Cuttack and Puri. The harvesting of rabi is going on and that of wheat has been commenced.

Central Provinces, March 31. — The weather has been clear and hot with occasional clouds. Rust has slightly affected the wheat crop in the Jubbulpore district. The harvesting of rabi continues, and the threshing of rabi and the preparation of the land for next season are progressing.

Bengal, April 9.—The weather has been dry and rain is urgently needed for the cultivation of autumn crops and to help the growth of standing crops. The harvesting of spring crops is nearly finished.

Assam, April 9.—There has been seasonable weather, out-turn and prospects for crops are fair.

Punjab, April 2. — The weather has been dry except for light rain in Rawalpindi. The condition of standing crops is unchanged. —Indian Trade Commissioner in London.

The Board of Trade Journal.

Payments Into Current Accounts.

BY

F. A. WILLMAN, CERT. A. I. B. (DIST. FOREIGN EXCHANGE.)

Author of "Banking as a Career"

It is a well-known fact that any person may pay money to the credit of another's banking account, although none but the customer or his authorized representative may withdraw funds therefrom. To some extent, however, the "paying in" of moneys is subject to important rules, and to review these here will be of assistance to students.

THE CREDIT SLIP.

The credit, or paying-in slip, is an essential feature of the receipt of moneys—which term includes, of course, cheques and matured bills—by a banker for his customer; and its completion should be insisted upon in every instance. Occasionally, in practice, a customer will endeavour, using as his excuse pressure of business or lack of time, to escape this duty, and to hand his cheques or cash across the counter with nothing but a request that they shall be credited to his account. In such cases tact should enable the cashier to get the credit slip signed by the customer without undue annoyance, but, in any case, in only the most exceptional cases should its omission be countenanced. The dangers to which the banker who fails to obtain a credit slip, signed, if not actually filled up, from the person who pays in the funds, lays himself open are obvious. Three months afterwards how is he otherwise to refute the statement made by a fraudulent customer that on a certain date fifty, not twenty, pounds in cash or four, and not three, cheques were paid to his credit.

The slip should, further, be filled up as is required by its particular form. The divisions of each bank's credit slip are designed for the convenient carrying out of its own methods of book-keeping, and incorrect analysis on the slip, causes, therefore, difficulties later. The duty of seeing that the items are entered in their correct places, as well as the more obvious one of checking the correctness of those items, devolves upon the receiving cashier, and should have his careful attention.

Several other points are important. The cashier should notice, especially, where payments in are being made by third parties, that the customer's name and full initials are correctly quoted on the slip, and, in every case, that the date shown is the one upon which the credit is actually received. Lack of care in the former may lead to important issues, especially if an incorrect designation causes the credit to be placed to another's account; while to acknowledge having received a credit on a date before the actual one, is to invite trouble. Another frequent source of error is that of omitting to detach the slip from the paying-in book, with the result that the actual cash is greater than that accounted for in the bank books.

The final duty of initialing and stamping with his cashier's stamp, both the credit slip and the counterfoil has been described as a "mere acknowledgment"; but it is one that should never be undertaken thoughtlessly. At all times it should be preceded by a cursory glance to satisfy oneself that all the items are ticked to indicate their receipt, and that all casts have been checked, while care should be taken to obviate the disadvantage of obliterating with the stamp the actual figures on the slip.

In the case of payments made to a customer's account by third parties additional care is required. It is an all too common practice for customers themselves when paying in cheques to their credit to deduct the balance of the total in order to pay in a "round sum." Providing the deduction is duly initialed or signed by the customer to whose account the credit is being passed little harm can result, but in no case, unless a written authority to do so is obtained from the payee of the cheques, should this practice be permitted of third parties. Even under such conditions it should be avoided in every possible case; the difficulty being overcome by a cheque being drawn for the amount required.

It should, further, be noted that, whereas by the Stamp Act, 1891, acknowledgments by bankers to customers of funds received for their credit are exempt from stamp duty, this relief does not extend to receipts given to third persons. If such acknowledgment takes the form of a receipt, it should, therefore, whenever it covers sums of £2 or over, bear a 2d. stamp. When acknowledgment is made by merely stamping a credit slip counterfoil, the revenue fee is, however, unnecessary.

THE APPROPRIATION OF PAYMENTS.

It is an established rule of English law that the party who pays the money to the debtor has the right to say which debt, if there are more than one, shall be cancelled thereby. The debts of a customer of a bank may be represented (1) if the account is in credit by cheques and bills drawn, (2) if the account is overdrawn by these or by similar items already presented and paid, (3) by separate distinct accounts, one or more of which may be a loan account, (4) by interest accrued and charged to overdrawn or loan accounts. Thus, it will be seen that the customer possesses a right to appropriate his credits, and, in every case where this right is used, his wishes must be most carefully observed. Hence, in the case of a "man of straw" and it is in such cases that the right is most frequently claimed—a credit specified to meet a certain outstanding cheque must never, unless the banker is prepared to pay that cheque also be used to meet another presented earlier. Where, however, the customer, when making the payment, makes no appropriation, the banker, as creditor, possesses the right to do so; and on advising the debtor thereof, the appropriation becomes irrevocable. In the case of newly charged interest, though, it is customary for the banker to refrain from appropriation until the customer has been advised of the amount and has had opportunity to provide for it. Hence, cheques which, apart from the interest debit, would be covered should not, until such advice has been given and reasonable time has elapsed, be returned unpaid. The third case, relating to appropriation, arises where neither party chooses to exercise his right, and, in that case, the law states that on a current account the first item on the debit side shall be discharged by the first credit, and so on. It is for that reason that overdrawn accounts should, in certain circumstances, be broken, for otherwise, as in the well-known Clayton's case, the original secured debt may be wiped out, and another, unsecured, substituted —*Pitman's Journal of Commercial Education.*

Government of Madras.

(Services)

NOTIFICATIONS.

Fort St. George, March 21. 1931.

[G. O. No. 311, Public (Services)].

[Typewriting qualification for clerks in Government offices.]

*No.*68.—The attention of prospective candidates for employment in clerical posts under the Government of Madras is drawn to the fact that under the Statutory Rules governing recruitment to such posts no person will be eligible to be considered for appointment as clerk after the 1st January 1935 unless he has passed the Government special test in typewriting by the higher grade, or by the lower grade at an examination held after the 1st January 1933.

In 1934 the Madras Services Commission will not include in its lists of selected candidates who have not passed the typewriting examination unless it is impossible to select an adequate number of candidates who have passed it. Candidates who have not qualified in typewriting will not be included in the Commission's lists of approved candidates unless they so qualify before the end of 1934; and these candidates will get no chance of appointment, even if they acquire the typewriting qualification, until after those who have qualified themselves before appearing for the Commission's examination.

Persons who wish to take up clerical appointments under the Government of Madras should, therefore, acquire the typewriting qualifications without delay. Examinations in typewriting are held quarterly in January, April, July and October. Further particulars regarding these examinations may be obtained from the Secretary to the Commissioner for Government Examinations, Madras.

G. T. BOAG,

Additional Secretary to Government.

Selection of Outlines.

BY

K. SEETHARAMA RAO, B.A., P.C.T.,

Mysore.

I propose to devote the present subject to the exposition of the broad principles that are primarily observed in the system in respect of the formation of outlines with special reference to the part played by the duplicate signs of R, H, L, Sh, Fr, Vr, etc. Before dealing with the subject proper let me just say a word or two about the overwhelming superiority of Pitman's Shorthand, that has arrested the attention of countless devotees of the Art by reason of its being "easy to learn, to write and to read". The phonetic basis of the system, its mode of indicating the detached vowel signs by means of allocating the stroke in different position and by changing the forms and directions, its mode of combining word-outlines with a view to afford brevity and rapidity, its mode of eliminating strokes by simple devices such as contractions and logograms, its frequent use of half length and double length strokes and the extention of the halving and the doubling principles to other abbreviating signs such as circles, loops and hooks, its uniform and unambiguous principles giving rise to clean-cut, regular, distinctive and geometric outlines, all these and more distinctive characteristics have made the system quite perfect and practicable. It is no wonder that such a fascinating system of shorthand that has identified itself with thoroughness and simplicity should gain an increasing reputation all over the world.

I shall now deal with the general principles that are observed in the choice of outlines, with particular reference to the application of the alternative signs. The readers are requsted to refer to the Dictionary for the outlines of the illustrative words given below.

1. THE PRINCIPLE OF BALANCE.

This principle is intended to preserve the straightness of the stroke. The following rules are in conformity with this principle:

1. Sh is written upward or downward as the case may be when it follows a straight stroke having an initial attachment, thus; Spacious, Atrocious, Blush, Brush.

2. Upward R is written in words like Crore, Swaggerer.

3. The 'shun' hook is written opposite to the circle, loop or hook prefixed to a straight stroke, as otherwise the straight stroke would tend to become a curve. thus,

Oppression Conception Constipation.

4. The hook maintains its contrariness in words like Suffocation, fiction, conviction, legation.

2. THE PRINCIPLE OF LINEALITY.

The object of this principle is to avoid the outline going too far above or below the line of writing.

Rules:—

1. Phraseograms must be lineal in form. Such combinations as "I think it is said that they" should be avoided. Labour saving devices are fatal to speed and impair accuracy and legibillity of notes.

2. R and Sh are written upward after two descending strokes, of which the second stroke must not be F or V in the case of R and R is written downward when it follows two ascending strokes, thus, Tax-gatherer, abhorer propitions Asutosh Divider.

3. SHARP ANGLES.

From the standpoint of Phonography the term "Angle" is taken to mean the point of contact between strokes. As the system is built for speed and legibility, the importance of this principle must not be overlooked

Rules:—

1. R is written upward irrespective of the vowel when it is immediately followed by T, D, Ch, J, Th, or TH, thus, Errata Argentine Unearthly

2. L is written upward before a downstroke except in words like analogy elusive etc., thus.

Allowed, Levity Delta Apology

3. Sh and R are written upward or downward as the case may be in order to obtain an angle between the strokes, thus, Thor Cash

4. Fr. Vr or Thr when preceded or followed by a straight stroke running towards the right is written in the right motion and vice versa with a view to secure a sharp angle thus,

Verbal Verdict Fracture Average.

5. When T or D is joined, Fr and Vr are written in the left motion and Thr and THr in the right motion, thus,

Afraid Friday Dethrone Thirty.

4. VOWEL INDICATION

This principle affords us a means of determining whether a vowel precedes or follows a stroke when the vowels are omitted.

Rules:—

1. R standing alone is written downward when a vowel precedes and upward when it follows: thus.

Row Oar,

2. The hooked curves Fr, Thr and THr standing alone are written in the left motion when a vowel precedes and in the right motion when it follows: thus,

Offer Fro Throw Author.

3. L is written downward when it is immeditately preceded by F, V, Upward R and Sk, provided L is not followed by a vowel, thus,

Fall Fellow Scale scaly Vale Valley Rule Rally.

4. L is written downward when it occurs between a vowel and a simple horizontal stroke, thus,

along alkali but illness allowance.

5. The Shun hook is written opposite to the final vowel, when it is affixed to straight strokes (except T, D, & J) not having an initial attachment: thus,

precaution application,

5. SIMILAR MOTION

The observance of this principle is to safeguard legibility and facility in writing.

Notice the resulting form obtained by the combination of Upward R and M. Since R loses its shape altogether, it is necessary that it should bend before M except in a few unavoidable cases like 'theorem' 'insurmountable' 'countrymen' etc., The writing of downward L after N and Ng and Upward Sh when joined to F. V. and L, obviate the necessity for changing the direction of the hand, which is indeed a great advantage to the notetaker from the standpoint of speed and easy joining. For the same reason the hooked curves namely Fr, Vr and THr are written in the direction of the simple curves preceding or following them, thus, Avaricious, Afresh, Free masonary, Thermal. This principle is obserbed when Fr is hooked for N and joined to a convenient downstroke or when fr or Vr. is followed by a straight stroke hooked for R or L, thus,

Frontal, Franchise, Fragrance Vertical.

Sh is written upward or downward as the case may be when it follows N hook, thus, Heathenish, Replenish. The prefix "In" is represented by a small initial hook written with the right motion before the treble consonants Str. Skr and the Upward H, thus inhabitant, Instructor, Inscribable.

6. FORWARD MOTION.

Forward movement is the continuation of the direction in which we write and it is preferred as it is quicker than a backward movement.

Rules:—

1. The shun hook is written on the right hand side of t, d and j for the sake of a more forward movement irrespective of the final accented vowel sounded in the word, provided t, d and j are simple strokes, thus partition, degradation, magician, but station, citation, consideration.

2. The same principle is observed in the formation of the following words: Bench Bishop Minute Acquainted Patience.

7. DERIVATION.

In forming derivatives and compound words, the outlines of the root words are generally retained in order to obtain convenient outlines, thus, Sparkle Countrymen. Ill-natured Allowance Illness Falsehood Falsest

8. DISASSOCIATION.

The strokes are disjoined for legibility, compactness and convenience in the following cases:

1. To represent the Suffix:-ality,-ility, -arity, -irity; Majority Minority Eventuality Posterity.

2. To represent medial Com, -con or cog: thus,

Forthcoming, I am compelled, This contest continues.

3. To represent the prefix:—accom, magna, magni, thus

Accompaniment Magnanimous.

4. When the point of contact is not evident by the joining of two unequal or half length strokes, thus, indebtedness

South-east Chit-chat, Intermission Oldish South-easterly, Mildness.

5. When awkward, illegible or impossible joinings result by the joining of strokes: thus, Steadfastly Friendliness Under-agent Gentlemanlike.

9. DISTINCTION.

In view of the fact that the system is built for speed and legibility special precautions are necessary in representing such words that are similar in their consonantal sounds but are differently spelt and pronounced or words that are pronounced in the same way as another, but are differently spelt, thus, Dear Deer Be Bee
Been Bean Cost Caused
Alchohol Alkali
(For complete list of Distinguishing Outlines vide page 61 para 217 (a) in "Examination" Notes on Pitman's Shorthand.)

10. VOCALISATION.

The rule that "wherever there is a vowel sound either initially or finally, there must be a stroke consonant to which the vowel sign is marked," is observed throughout the system, thus,

Policy	Non-use of Circle S.	
Rusty	do	Loop St.
Mercies	do	enlarged Circle.
Alumina	do	Hook N
Defy	do	Hook F
Party	do	Halving Principle.
Feathery	do	Doubling Principle

and so on.

From the numerous instances I have quoted above, it becomes obvious that the alternative signs are mainly intended to afford extraordinary facility of form and legibility of notes secured as a result of facile and graceful combinations that actually speed the writer and their introduction into the system is indeed a revelation of the extreme elasticity, which is one of the prominent features of Pitman's Shorthand.

A few copies of Vol. I of the "Indian Commerce" for 1933, containing 386 pages of useful matter, are available for sale.

Price Rs 3/-. Postage 6 As. extra. For copies apply to the Editor.

Correspondence.

GOVERNMENT TECHNICAL EXAMINATIONS—APRIL 1934.

SHORTHAND DICTATIONS.

Sir,

May I crave the hospitality of the columns of your esteemed Journal for the insertion of the following few lines regarding the Shorthand Lower Grade Examination held recently? Hitherto, the Shorthand Dictations at the Examination in many centres had been done by men who had been in the regular practice of reading at regulated rates of speed and who had been reputed to possess distinctness of pronunciation, loudness of voice etc. Such men were usually drawn from the ranks of experienced Shorthand Instructors, and there had been no complaints whatever in the past as regards the method of dictation. This year, however, the wholesome convention was given up; and Government Shorthand writers have been appointed to give dictation. No doubt, there will be little room for complaint if these men happen to be good at dictation. Unfortunately, however, this is rarely the case, as efficient reporters are not everywhere competent 'dictators'. One is unable to understand the object of the authorities in appointing such men for the work. Is it done with a view to save the dictation fees? If that is so, which I believe it is not, I may suggest that competent men from the non-official ranks may be requested to read honorarily, and I am sure that, considering the larger interests of the candidates, they will not grudge to do this service.

A candidate's success in Shorthand depends, to a very great extent, on the method of dictation; and it is a pity that the pupils who appeared this year for the Lower Grade Examination in Shorthand in certain centres had been plunged in great despair and disappointment, on account of the bad dictation. I am reliably informed by them that though the dictation was ***begun*** and ***finished*** at the proper time, there was no uniformity in the rate, and that there was a large number of mishearings, the pronunciation of many words being neither distinct nor loud enough to be understood intelligibly by the candidates. The result was that candidates who were really expecting to pass high in the first class had to come away with all their hopes shattered.

Justice requires that a re-examination in Shorthand Lower Grade should be conducted; otherwise it means not only loss of money but also loss of one full year, and perhaps the wrecking of a career, for these poor unfortunate young men. If the Government cannot see their way to it, they should at least issue instructions to the Examiners concerned to value the papers very sympathetically, and kindly make arrangements to appoint competent readers to dictate the passage, from the next Examination onwards. Will they do the right thing in time?

X.Y.Z.

Balance Sheet.

BY

S. RENGANATHAN, B. A., R. A.

Balance Sheet is the most important of all the documents of accounts. The elaborate systems of keeping accounts, of companies, firms and individuals, contemplate and lead up to the preparation of the Balance sheet. It is the most informative statement that is supplied to the shareholders, partners or the individual. It brings out the state of affairs of the concern truly, faithfully and correctly as at a particular date. It is a glass through which we look at the general financial features. It is through that we are able to gauge the earning capacity of the concern. It throws light on every detail of the concern. It tells us whether the concern is being run on sound hues or not. It provides us with the necessary data to compare it with other similar concerns and thus to estimate the value of Company's shares. The general nature of the assets and liabilities can be seen on the face of the Balance Sheet.

Such a Balance sheet is very often called a statement of assets and liabilities. It is true that the right side of the Balance sheet consists mostly of assets and the left side mostly of liabilities. But it is easy to see that what is called 'the assets side' includes also such items as preliminary expenses, expenses in advance which cannot be recovered, sometimes losses brought forward from the Profit and Loss account, which are not assets. Again the liabilities side includes such items as reserves, general and otherwise, sinking funds, credit balance of the Profit and Loss a/c which are not at all liabilities. Therefore it is erroneous to call a Balance sheet a statement of Assets and Liabilities.

Some Accountants still hold it to be an account and one that shows the relation of the business to the proprietor and to outsiders. This is nothing but a fiction nowadays. From the form of the Balance sheet it is evident that it is not an account. The usual Dr, and Cr. are not marked on Debit and Credit sides. The words 'To' and 'By' are not affixed to the liabilities and assets. Therefore it is not an account. The credit balances (right side) of the ledger accounts are given on the left side of the B/S and the debit balances (left side) are given on the right side of the B/S.

Neither is it a balance of all the ledger accounts; for the accounts relating to profits and losses are eliminated. The Balance Sheet contains only a part of the ledger balances.

The best definition that we can get in the circumstances is that it is a "sheet or collection of balances and is really a statement in an abstract form of the debit balances and the credit balances of the ledger or ledgers after the elimination of such balances as have been transferred to the Revenue or Profit and Loss Account."

So far to the definition. Now to the form. The Indian Companies Act prescribes the form in which B/S of companies have to be given. Still there are two methods in

which the several items on both sides of the Balance sheet are arranged.

The first method is to arrange the assets in the order in which they will be readily realisable into cash, i.e., the liquid and floating assets precede the fixed assets; and the liabilities are arranged in the order in which they have to be paid and the capital a/c comes last. According to the second method the assets and liabilities are arranged in the order of their permanence, the fixed assets and liabilities preceding those of the floating and liquid assets and liabilities.

News and Views.

The next quarterly examination in Typewriting under the Government of Madras Technical Examination scheme will be held on Saturday the 21st July 1934 and the latest date for the submission of applications to the Secretary to the Commissioner for Goverment Examinations, Cathedral Post, Madras, is 10th June 1934.

* * *

It would be of much interest to note that a gold medal, known as the "Rao Sahib S. Vaidyanatha Ayyar Medal" will hereafter be awarded by the administrators of the Rao Sahib S. Vaidyanatha Ayyar Medal Endowment Fund, to the candidate who, out of the candidates appearing for the Government Technical Examination in Shorthand, Higher grade, conducted by the Government of Madras, or any other examination held in lieu thereof, obtains the highest number of marks. Similary, another prize known as the "P. G. Subramanya Ayyar Prize" will be awarded to the candidate who obtains the highest number of marks in Book-keeping, Lower grade examination conducted by the Government of Madras or any other examination in lieu thereof. Indeed such prizes are quite welcome.

*

Gold Exchange Index. ***The Statist's*** index number of the value of sterling in terms of the gold standard currencies is 62. 39 per cent. of parity for March, as compared with 62. 76 per cent in the previous month and 70. 39 per cent a year before. Compared with February the pound thus again depreciated in terms of gold in March, and though the change was relatively small, the depreciation of the pound has reached a new low level since the suspension of the gold standard. The pound also depreciated in March as compared with February in terms of the currencies of the 12 following countries: Austria, Bulgaria, Germany, Hong Kong, Hungary, Poland, Rumania, Spain, Straits Settlements, Turkey, Uruguay and Yugoslavia. Sterling appreciated in terms of the currencies of the following eight countries: Argentina, Canada China (Shanghai), Greece, Italy, Japan, Mexico and U. S. A. No change was recorded for the currencies of the following 11 countries: Australia, Brazil, Denmark, Egypt, Finland, India, New Zealand Norway, Portugal, Sweden and Union of South Africa.—***The Statist.***

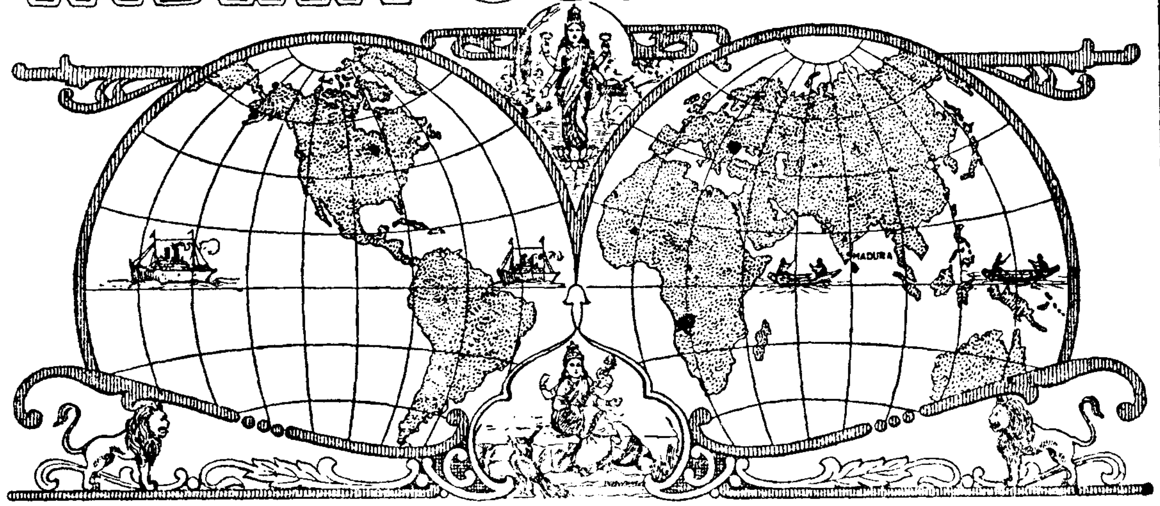
* * *

The total value of gold exported to Europe and America, upto May 12, 1934, since England went off the gold standard, is Rs. 1,83 23,52,580. Still there is no check to its export.

Edited and Published by Mr. T. Kalyanasundram, D. Com., Econ. F.R.S. Lond.) 267, West Masi Street, Madura, (S. India) and printed on behalf of the publisher at The Harisamaya Divakaram Press, No. 3, Manjanakara Street, Madura, (S. India.)

Registered No. M. 2862.

INDIAN COMMERCE.



Editor: T. Kalyanasundram, D. Com., F. R. Econ. S. (Lond.)

Annual Subscription Rs. 3. | **Published on the 15th of every month.** | **Single copy As 4**

VOL. II. | JUNE 1934. | No. 18

CONTENTS

INDIAN COMMERCE

A high class English Monthly devoted to

Trade, Commerce, Industry, Finance, Banking, Foreign Exchange, Co-operation and Commercial Education.

Office: *267, West Masi Street, Madura.* (*S. India*).

Annual Subscription Rs. 3] Published on the 15th of every month. [Single copy 4 As.

Vol. II. *June, 1934.* *No. 18*

Company Meetings and Shareholders in India.

The annual meetings of a majority of joint stock companies held in the country pursuant to section 76 of the Indian Companies Act of 1913, are more often held to satisfy the letter of the law than for the fulfilment of the object for which they are legally required to be conducted. Most of the shareholders seldom pay any attention to the final accounts and the auditor's certificate with the usual special report, submitted to them, exhibiting the state of affairs of the company, as they do not easily understand what a balance-sheet is and what the various items stated on both its sides mean. The tendency of a shareholder on receiving a communication from the company Secretary calling for the annual meeting is generally to look into the agenda and eagerly for the item of proposed declaration of a dividend. In long established and reputed concerns that have been declaring for several years past a good dividend, say ten per cent and above, the shareholder's interest ceases immediately he sees on the agenda the item proposing to declare the usual rate of dividend. He does not care to go further into the details of the profit and loss account and the balance sheet, and much less, to compare the figures contained in the current year's statement with those of the previous year by a reference to his file of previous years' statements and to arrive at the probable reasons that led to the variations in the current year's figures. In our country, most of the balance sheets do not contain the figures for the previous year for purposes of easy comparison. whereas in England they are incorporated in modern balance sheets, usually on the left side and we wish this new practice is followed at an early date.

A shareholder's interest should not cease merely with his being satisfied with a declaration of dividend. He should further satisfy himself that the dividend proposed to be declared at the annual meeting is proper and valid and that it is paid out of the profits actually earned by the company during the year under report. Now-a days with the worst economic depression that shows signs of a little improvement. a number of companies, to maintain their prestige, have to declare a dividend, not out of profits earned during the year but by transferring the sum needed from its accumulated reserve fund or by arriving at a profit without making sufficient provision for the depreciation of wasting assets and by several other ways. These things can be found out by comparing the figures under various items in the balance sheet for the year under report with those of the previous year and therefore a shareholder must necessarily have some knowledge of the principles of accounting.

Further, shareholders attending a company meeting are only very few in number and it is a pity that those who can do so, because they are residents of the town where the meeting is held and in which the registered office of the company is situate, are great sinners in this respect. Company meetings that have been announced to be held on a particular day but have not been held for want of a quorum are not quite uncommon in the country. Even if a meeting is held with a quorum, it is formal and in most cases, the shareholders do not ask for any explanation of any item in the accounts and as such they do not really enjoy the privilege conferred upon them by the Companies Act, a privilege the value of which cannot be easily estimated in terms of rupees annas pies. The Directors, being the trustees of the shareholders submit to them a report on the working of the company for the past year and seek their approval, in the general meeting. Thus an opportunity is given to the shareholders to co[illegible] the wrong doing, if any, on the p[illegible] the Directors and elicit more [illegible]led information on points relating to t[illegible] company's business as exhibited by t[illegible] accounts. If these privileges are r[illegible]ably exercised, the objects of a compa[illegible] annual meeting are completely fru[illegible]rated.

In this connection we quote hereunder an instance of an annual meeting held at London recently. At the fifty-third annual meeting of the Institute of Chartered Accountants in England and Wales held at London on 2nd May, 1934, Mr. H. L. H. Hill, M A., F. C. A., President of the Institute, who, we can say, is the crowned King of Accountants of the world, said:

"Ladies and gentlemen, you have left me off very lightly this afternoon, as there is only one question for me to answer: Mr. Campbell wants to know the composition of the item of "Sundry Creditors" on the balance sheet at the 31st December last. We appear to have owed £2,200 for the lists of members and £2,500 for the expenses of the November Examinations. Do you want to know any further particulars, Sir?"

Mr. Campbell: "Yes, why the cash at bank is so small as compared with that other item."

Mr. Hill: "The reason why the cash at the 31st December last was so [illegible]all is that at the beginning of the [illegible]ew year subscriptions come in, with wh[illegible] we are able to discharge our liab[illegible]."

Mr. Campbell: "Then it seems that the 1934 income is used to pay the 1933 expenditure."

The President: "I think it would be more accurate to say that the 1934 cash is used to pay the 1933 liabilities."

The item of "Sundry Creditors" in the balance sheet of the above Institute appeared as £7,231 and odd while the accumulated fund on that day was £141,807 and odd, of which £100,000 has been invested in Free-hold Hall and Offices and about £43,000 in Gilt-edged Securities with a market value of about £55,000 capable of realisation into cash at a moment's notice. Thus the financial position of the Institute is indeed excellent and second to none and the accounts are written up and audited by Chartered Accountants whose accounting skill is unquestionable In spite of this, Mr. Campbell, a member of the Institute has stood up and elicited the above answers He could have kept quiet but if he has interpellated as above, we think it should probably be due to the fact that it was his ambition that the Institute with such strong financial resources could have easily cleared off the sundry creditors' claims by paying them on the date of the balance sheet by sending them cheques provided a sufficient bank balance was maintained and thereby exhibit on the liability side of the balance sheet the only item, viz., the accumulated fund.

So our readers will agree with us when we say that shareholders of companies in India should take more pains to study the figures contained in the annual accounts submitted to them periodically and attend, as far as possible, the annual general and other special meetings and ask for more detailed information on points of doubt. as the Directors cannot state everything in full detail in the balance sheet itself. To take such lively interest a shareholder should have a good knowledge of Company Law and the fundamental principles of accounting by double entry. In this connection we would suggest that people who are share-holders in joint stock companies in the country should make it a point to acquire a working knowledge of these two useful subjects Further, in case they are unable to attend such meetings personally, they should atleast see that their proxies are sent in favour of an intelligent co-shareholder so that they may be lodged with the company in time and that he may represent them at the poll when a necessity arises. Anyway, the existing practice of sending the proxies in favour of a Director of the company, as is usually suggested in a communication accompanying the notice convening the meeting, with a blank proxy form, should completely be stopped as it serves no useful purpose.

methods unsuited to this country, resulted in the majority of these companies either ceasing to operate, or passing into English hands. This tendency has been accentuated by the depression, so that now practically all American interests have been eliminated.

During the same period, various small hire purchase finance companies have also been formed in London and the provinces. The idea which inspired them was sound—namely, to finance the distribution of goods, in areas with which the directors were acquainted, to individuals about whose status the directors could satisfy themselves. These companies suffered from one major difficulty, lack of experienced management. For successful management, three qualifications are essential, legal experience, banking experience and salesmanship or the power of creating an interest in the facilities offered. These managers generally had little experience of legal formulae or banking methods, and consequently fell into the many pitfalls set for the unwary.

The lesser difficulty which faced these companies was the question of finance. For satisfactory operation, a hire purchase finance company should employ in its business its own capital plus borrowed money to the extent of at least two or three times its capital. Most of the provincial companies found little difficulty in borrowing an amount equal to their own capital from the local branch bank, which also allowed the company to borrow at the same time from other sources a further similar amount. But as the local bank usually took a debenture on the whole of the company's assets, adequate security was not available for such additional loans.

There are four main methods employed to-day for the disposal of goods on hire purchase or deferred terms, and the first of these has two important sub-divisions. These methods should in themselves provide all the security which it is necessary for the finance company to give to its bankers, and so avoid the necessity for any general charge on the finance company's assets:—

I. Hire Purchase Agreement between the original Vendor (Supplier) and the Hirer (Consumer), where the supplier himself concludes the agreement with the ultimate purchaser, and then looks to the hire purchase finance company to finance the transaction. The finance company in turn borrows the money in so far as necessary from the banks. The ultimate purchaser signs a hiring agreement under which he takes the articles on hire for a specified period, e. g., eighteen months, at a certain sum payable monthly, with the option of discontinuing the hire under penalties at any time, and with the further provision that if he has satisfactorily fulfilled all the covenants during the period of hire, full title in the article passes to him at the end of such period. Until then the actual article forms security for the several amounts due to the supplier under the hire agreement.

(*a*) Under what is called the banking method, the hirer in addition to filling up the agreement, signs bills of exchange or promissory notes for the amount due each month. The supplier endorses these bills

or promissory notes and then discounts them with the finance companies, assuming full responsibility himself in the event of hirer default. It is, however, questionable whether the supplier has any right to discount these bills or notes, or lodge them as security for advances, seeing that it is clearly provided under the terms of the hire agreement that these bills are held and received by the supplier purely as collateral security. It is also arguable that, not being bills given for value received, they are bills with a disability, and therefore do not form good security to the banks when lodged as cover for the advances which are made by the banks in their turn to the finance companies. This is a point which yet remains to be tested finally in the courts, but the method has the advantage of convenience, since the question of stamping the assignment of the hire purchase agreement and its subsequent handling does not arise, while the banks are familiar with bills and promissory notes.

(*b*) Under an alternative method, the hire purchase agreement is assigned by the original supplier to the finance company, which in turn deposits or assigns that agreement to the bank as security for the loans granted. It is noticeable that all that is assigned is the right to receive certain sums of money. The ownership of the goods still continues where it originally was, with the supplier, so that in the event of default the finance company has no legal right to seize the actual goods—though in practice it frequently does so. This method is often employed in the case of furniture.

2. ***Purchase and hire***, that is, purchase of the article in question by the finance company, which simultaneously hires the article on to the consumer with option to purchase at the end of the period. The consumer can generally stop the hire at any time, but the penalties for so doing are usually sufficiently heavy to ensure payment of an amount more than sufficient to cover depreciation of the article. This method is generally employed for motorcars, and in the majority of cases all risk of default is borne by the finance company. Should such default take place, the finance company may at once proceed to recover its property.

3. ***Sale on deferred terms*** either by supplier or manufacturer, who in turn sells the book debt thus created to a finance company. Assignment duty (one per cent. ***advalorem***) must be paid on the vesting of the debt in the finance company, but it can be avoided when the sale on deferred terms is made direct by the finance company to the consumer. The method is mostly employed where the payments are spread over not more than twelve months, and where the article is of little or no repossession value, such as cycles, clothing and wireless. The real safeguard is the initial report on the status of the purchaser, coupled with the fact that an absolute debt is created for the full amount, on which the purchaser can be sued immediately there is default.

4 ***Debenture.*** Under this method goods are purchased outright and payment is made by a debenture, redeemable in instalments over a period of years. The supplier adds on to the price of the goods

Money and Banking.

HIRE PURCHASE FINANCE—I.

THE disposal of goods through hire purchase may be said to conclude a cycle of credit, which can be divided into three parts: production credit, distribution credit, and consumer credit. For the first two, production and distribution credit, considerable facilities are already available through bank loans and bills of exchange and by trade customs, according to which payment can be deferred until some weeks after delivery of the goods. But until the advent of hire purchase, there was no adequate method of financing the last part of the cycle—consumer credit. The goods had to be purchased outright for cash by the ultimate consumer, who lacked an opportunity of paying as he used them; or, at best, only received the ordinary credit given by retail shops.

Hire purchase may be said to include all forms of instalment sales. It dates, in origin, from the time of Julius Cæsar, when a suburban villa could be purchased in Rome by instalments, but it has only become of major importance in recent years. The first big development was in the railway wagon field. During the last quarter of the nineteenth century a number of strong companies were established to finance the sale of private railway wagons. To-day, with the decline in the use of private railway wagons, these companies have also engaged in other fields of hire purchase, and are now responsible for a considerable general turnover, especially in motor vehicles. This business is transacted either direct, or through specially formed subsidiaries. Recently a number of the more important wagon finance companies have either directly or indirectly come under the control of one of the leading insurance companies.

There are four parties to the ordinary hire purchase transaction. The first is the ultimate hirer or consumer, who receives the goods and pays for them eventually. The second is the dealer or supplier, who sells the goods to the consumer. The third is the hire purchase finance company, which finances the transaction and enables the dealer to receive his money at the usual time, and the hirer to have the use of the goods forthwith. The fourth is the bank, which lends the finance company any necessary money: for the capital of a finance company normally acts as a margin of additional security, representing only a fourth or fifth part of the total resources employed.

To carry through the third function, that of finance, a number of important new companies have been formed in England since the war. At first these were largely created or inspired by American interests, who had already grasped the possibilities of this form of credit and developed it considerably in their own country. Eventually, differences in legal codes, coupled with the difficulties of remote control and financial the necessary interest charge. This method is financed by the sale of the debenture, either with or without the guarantee of the supplier, at a discount, to a finance company. The debenture natually has a charge on the goods in question. This method is becoming increasingly popular where large sums are involved.

II

UNTIL recently the range of articles distributed by instalment credit in England was limited, compared with American practice. Finance of "textile factoring" and textile sales, which looms so largely in America, was for long unknown here; facilities in England were restricted to goods with a "repossessable" value, even when the goods were sold on deferred payment terms, and not hirepurchased. It is only recently that finance has been available for the credit distribution of semi-perishable articles like clothes.

A point not generally appreciated is the comparatively short duration of the average hire purchase agreement. In America the average length is about 12 months. The popular theory that system of hire purchase has largely accentuated the depression over there may therefore be discounted, since agreements which had been entered into in the boom days of 1929 would have expired by the end of 1930, that is well before the full force of the depression became evident.

In England the average duration of a hire purchase agreement for articles of small value such as bicycles, radio sets, gramophones and clothing is about 12 months. For motor cars, plant and machinery the average length is 15 to 18 months; while in the case of furniture the average period financed is about 24 months, though the agreement itself may extend to as much as four years.

The small proportion of bad debts (the "loss ratio") is also not usually realised. Even during the recent depression years this has not amounted among the leading American finance companies to more than 1 per cent. of the business financed, while among the principal English companies during the same period it amounted to only about ½ per cent. On the small collection business, bicycles, gramophones and radio, where the amount payable each month is only a few shillings, the loss ratio is higher, being about 2½ per cent. of the turnover, but there is a margin for this in the substantially greater charges made for financial accommodation.

The explanation of the low loss ratio is that where proper enquiries are made in the first instance about the prospective hirer there is nothing more than an ordinary insurance risk, and while it is impossible to guarantee that any individual hirer will pay in full, it can be stated with certainty that where there is a block of, say, ten thousand hirers, each owing £20 at any given moment, the great majority of the sums due will be collected without material difficulty.

The full cost of hire purchase finance accommodation is often somewhat disguised by the way in which the charges are made. Where, say, 6 per cent. actual is added to the original cost of the article, and the whole amount is paid by instalments over

12 months, it is obvious that the money on the average is only outstanding for about 6½ months, and therefore that the true interest charge works out at approximately 11 per cent. per annum. Until recent months the normal charge for such accommodation averaged between 11 per cent. and 15 per cent. per annum; while on small collection business, where there is a higher loss ratio and substantially greater expense in collecting the individual instalments, the charge varied from 25 per cent. to 50 per cent. per annum. To-day the charge for high-grade business has been reduced, and is only from 9 per cent. to 13 per cent. per annum; though the cost of lower-grade hire purchase business remains as before, owing to the high cost of the technique involved in successful "collections". In addition, it is customary for the supplier to pay all stamp duties and other incidental expenses. Except in the case of purchase by the finance company and immediate hire to the consumer, which method is mainly applied to motor vehicles, it is usual for the finance company to have full recourse against either the supplier or the manufacturer.

Where a charge of 13 per cent. per annum was made by a finance company operating to capacity, this charge might be approximately divided as follows. though owing to the different systems it is impossible to lay down any fixed divisions :—

(a) Cost of this money to finance company, usually by Bank loan, say 4½ per cent.

(b) Cost of procuring and handling the transaction and collecting the instalments, etc., equal to 4 per cent.

(c) Bad debt reserve, 1 per cent.

(d) Profit to the finance company, 3½ per cent.

To-day in many cases the finance company can borrow under an acceptance credit at, say, 2 to 3 per cent. per annum. It can therefore afford to lend its money at 10 per cent. per annum and still make an adequate profit. In America the charges are higher, but this is due to the smaller amount which can be borrowed from the banks by the finance companies in proportion to their own capital.

The collection of instalments under small unit agreements is a highly technical business, and except in limited volume calls for an elaborate and costly organisation. Successful operation depends, in the first place, on a reliable status report on the purchaser or hirer. Secondly, but equally important, comes the actual collections service. Many of the finance companies handling small collections business have encountered difficulties in the past over this. Various organisations now exist with representatives throughout the country, which are prepared to handle these enquiries, followed by collections, on behalf of the finance companies at charges ranging from one to 7½ per cent. actual, according to the amount of the individual instalment. The charge includes the cost of repossession and court action where necessary (other than the actual court fees).

The charges made by the finance companies for this type of hire-purchase finance are naturally considerably higher. Where a monthly instalment of, say, 12s. 6d. is payable, a reasonable charge might be 15 per cent. actual, or about 28 per cent. per annum. If collection and other costs require 7½ per cent. actual, a similar amount would go to the finance company, equal to gross earnings of 14 per cent. per annum. Where the finance company, in addition, carries the whole risk of bad debts, as, for example, with bicycles, the actual charge is higher, usually about 20 to 25 per cent. actual, which works out at 35 to 40 per cent. per annum.

The success of a finance company depends as much on skill in lending its resources, as in borrowing that same money cheaply and easily in the first place. Normally a finance company operates like an accepting house, and when fully developed should transact a volume of business equal to four or five times its own capital. This means that the finance company itself requires substantial loans, and must utilise its own capital in giving the necessary margin of security.

In the past the joint-stock banks and accepting houses have not been particularly enthusiastic about the hire-purchase type of collateral, this being due to the difficulty of appraising the value of the actual hire purchase agreements at any given moment, coupled with the necessity of constant checking and handling when the agreements have to be withdrawn for Court or other action. This difficulty has been met in part, either by the use of promissory notes or bills of exchange as outlined in the first article, or by the deposit of the agreements with the Trustee, who in turn has issued a Trust Note or certificate of deposit.

More recently an attempt was made to surmount this difficulty by the creation of some form of Re-discount Corporation. It was felt that an organisation which specialised in lending to finance companies could not only ensure that adequate facilities were available for companies worthy of them, but also that its trained staff could readily appraise the true value of all security tendered; at the same time ensuring the correct performance of the necessary legal formalities and keeping a constant check on the actual collections. It was found that the joint-stock banks and accepting houses would readily afford support to such an organisation, which would not only relieve them of a large amount of tedious and unremunerative work, but also assure for them greater security by the interposition of another surety between themselves and the ultimate consumer.

It was also felt that such a Corporation would have an opportunity of affording facilities to several prominent manufacturing concerns. These latter, while reluctant to raise sufficient permanent capital to cover their maximum hire-purchase load, were anxious to provide part of their requirements, if the rest could be borrowed on reasonable terms without encumbering their ordinary banking facilities.

In the formation of such a Rediscount Corporation, simultaneously with the consolidation of a number of the smaller finance companies into bigger units, would seem to lie the future of hire-purchase in England to-day.—*The Economist.*

The Bank of England and the Money Market

BY

F. A. WILLMAN, CERT. A.I.B. (DIST. FOREIGN EXCHANGE)

Author of "Banking as a Career"

IT is not possible here to give more than an outline of the points raised by consideration of the Bank of England and the Money Market, and, therefore, students are referred for details to the appropriate and excellent books now available. Yet, for two reasons, the subject can be treated with advantage here: (1) the growing interest that is evident in the general reader respecting a question once left for the study of the specialist alone, and (2) the fact that, especially of late years, in this, as in so many spheres, theory and practice have become different things. It is hoped, moreover, to stimulate the desire for a thorough knowledge of the inner workings of the London money market, upon which even the ordinary reader would do well to inform himself.

The Money Market.

The term "The Money Market" must not be construed literally. It refers, not to a sphere of action, but collectively to the *operations* of those who, in the City of London, deal in credit. Its constituents are, therefore, the joint-stock banks, the Anglo-Foreign banks, the London Branches and Agencies of Foreign and Colonial Banks, the Accepting and Discount Houses, the Merchant Bankers and Bill Brokers, the Stock Exchange, and certain large financial firms and companies. To cover the term as applied in its widest sense, it is necessary to acknowledge also the part played by the Government acting through "The Treasury", and, lastly, the Bank of England.

Most of the terms employed above will be clearly appraised by readers, but it will be helpful to give notes upon (1) the London Branches and Agencies of Foreign and Colonial Banks; (2) the Accepting and Discount Houses, and (3) the Merchant Bankers, and Bill Brokers. As London is the most important financial centre of the world, it is only to be expected that many of the large banks of other countries should have established branches or agencies there. These houses are of particular value in such matters as the arrangements of trade finance with, and the flotation of foreign loans in, England, and they give to the parent institution a share in London's remunerative discount services. An Accepting house is a concern that earns its profits from the commission charged for accepting for merchants and others bills drawn upon it, largely in connexion with foreign trade. Such houses and their signatures are well-known internationally, so that their acceptance to a trade bill renders it first-class, and, therefore, as students of foreign exchange will recall, enables the holder to discount it at the lower—market—rate of discount. They act, also, in connexion with foreign credits, frequently establishing such in centres abroad for the benefit of clients, both English and foreign. At the present time, much of the accepting business in London is undertaken by the big Joint-stock Banks, the Balance Sheets of which now always contain the item "acceptances for customers, as per contra." A Discount House is a financial concern the chief function of which is to discount bills of exchange for those holders or drawers, such as merchants, who cannot afford to have their capital tied up in long-dated bills of exchange. Thus, if a merchant draws a bill in connexion with a large export he may, providing he is known, obtain immediate cash by discounting it, or, selling it at a price slightly below its face value, obtain immediate cash. This service is, also, offered by the large English banks. The merchant bankers are a small group of financiers, who combine banking with a limited operation in one or more specialised sphere of trade. They are usually old established, and of the highest reputation even in international money markets. The bill broker is, theoretically, merely an intermediary between the client who wishes to obtain ready cash and the discount house from whence, upon bills of exchange, he obtains it. He charges a commission or brokerage for the service. Nowadays, however, many brokers themselves discount, either with their own capital or with money borrowed from the general public on deposit. Usually they re-discount the bills so purchased with the banks or other discount houses. The broker, in such cases, must himself guarantee to the discounter the due payment of the bills, and is charged upon the loans he raises the money market rates of interest.

The Common Denominator.

All these varied interests are connected by the common characteristic of being concerned primarily with finance. Thus, they are borrowers or lenders, or both, of money. From the national standpoint, the chief lenders to the money market are the joint-stock banks, who find there employment for a large percentage of their funds which, for safety's sake, cannot be invested in long-dated and fixed securities. The principal borrowers are besides the Government, referred to later, the Discount Houses, the Bill Brokers, and, to a lesser extent, the Stock Exchange. The foreign banks may be either borrowers or lenders, but their operations, particularly in connexion with lending by bill discounting, has, in the past few years been of greater importance.

If the common denominator is money, the pivot of all these concerns is certainly the Bank of England. Yet its position in this respect is the result rather of practice than of any legal requirement. It arises chiefly from the following factors. By Clearing House rules all the big London banks must maintain an account with the Bank of England, and by custom, originated by convenience, they keep there the surplus over immediate requirements, of their reserves to meet current demands for cash. Actually the reserve is a credit figure, but it is, since it can be used to obtain legal tender, considered as cash. The second factor may be said to be the peculiar position of the Bank of England as the custodian of the nation's ultimate reserves of gold. As such "the Bank" is closely concerned with those constituents of the money market whose main sphere of action lies abroad.

Controlling the Money Market.

Whenever the operations in that market are such as, in particular circumstances, for example, unfavourable foreign exchanges, are likely adversely to affect the Bank of England's gold reserves, and, also, whenever it is apparent that, internally, credit is becoming, as by the effects of speculation, inflated, it is essential that some check be placed thereon. Theoretically, this arises as follows. The Bank of England publishes a rate, called the Bank Rate, at which it is prepared to discount first-class short bills of exchange or to grant short loans to other than its own customers. This rate is the basis of that allowed in London by the joint-stock banks on deposits, so that a rise in the former automatically affects the latter, and there follows, as a natural consequence, a rise in the rates charged by those institutions to discount houses, bill brokers, and others operating in the money market. This, then, causes a rise in the discount rates of the market, and thus reduces the business. It further operates as a warning note, which leads to the general strengthening of reserves and the reduction of loans, by all the chief lenders. In theory, such circumstances make it necessary for the borrowers of the market to seek assistance for the finance of their business from the Bank itself, which is thus enabled to charge its own rate for the loans and by this means to control any undue expansion of credit. But, modern conditions do not work quite so simply. For a variety of reasons the market rate of discount is often, as recently, so far below the Bank Rate that control by such means is impossible The Bank, in such cases by itself borrowing in the market can absorb the surplus funds and, again, somewhat theoretically, make its own rate effective. A further factor at the present is that of Government borrowing. It is necessary for the Government to raise weekly short loans in the money market for current needs, and it does this by the sale, at a discount, of short term, usually 3 months, Treasury bills. These are issued at the best, i.e. highest, price obtainable, and such is the volume of the business and the artificiality of the present situation that, to a large extent, the Treasury bill rate determines the market discount rate. To this extent, therefore, it is much more difficult for the Bank to exercise the theoretical control of the money market, and the theory is somewhat inapplicable. There are, moreover, many additional factors, chiefly international, which now determine the Bank rate. At the same time, it must not be thought that the power of the Bank is broken, but rather that it is somewhat less automatic and that its direction is determined by other considerations than the former principal one, namely, the proportion of the Bank of England reserve.

Pitman's Journal of Commercial Education.

'British Trade with Denmark.'

In an economic world of changing values and shifting landmarks, Denmark has little cause for either qualms or complaint, * writes the Commercial Secretary to H. M. Legation at Copenhagen.

Evenly balanced between modernity of of methods and a sound conversation of outlook, she has managed to escape the troughs of the depression, as she never presumed or aspired to ride on the crest of the boom. The result is that she has managed throughout the past two years to retain a standard of living characterised by a marked absence of poverty and by a scale of real wages which is among the highest in Europe.

It is true that her imports have been restricted by Government regulations; but what country has not seen its imports dwindle regardless of restrictions? It is also true that Denmark has lost some of her export markets, at least partially; but how fortunate she is in this respect compared with the shrinkage of the foreign trade of many other countries.

If her finances are examined it is found that her State indebtedness amounts to no more than £15 per inhabitant, and is equalled by one year's exports. The only part of Denmark's indebtedness which is causing her some concern is the internal debt of the farmers. As related in the body of the Report, the financial plight of the farmers led to a devaluation of the krone in January, 1933, in order to increase the receipts for their exports in terms of local currency. In addition, their burden of debt service was lightened by various financial measures adopted by the Government. On an average agriculture is once more profitable in Denmark, and it is questionable whether in this respect she is as badly off as some other agricultural countries.

* Report on Economic Conditions in Denmark, published for the Department of Overseas Trade by H. M. Stationery Office, Adastral House, Kingsway, London, W.C. 2, price 2s. 6d. net, 2s. 9d. post free. (The previous Report was issued in 1931.)

Outward Evidences of Prosperity.

Even in outward appearance Denmark is a prosperous country, whether judged by the new construction going on and the state of repair of her buildings, streets and roads; the intensive cultivation and prosperous look of her countryside; or the crowded attendance at her places of entertainment and restaurants. It is clear that money circulates freely in the country and that its inhabitants have no fear of spending. As a market Denmark is to be measured less by her size than by the fact that she buys from abroad for about £17 per inhabitant per annum and was sixth in order among foreign countries importing from the United Kingdom, yielding place in this respect only to the United States, France, Germany, the Argentine and the Netherlands. Also in quality Denmark is a good market. Little is heard of bad debts among firms who show reasonable discrimination in the selection of their customers.

Anglo-Danish Trade.

The years 1932 and 1933 show a steady progress both of her trade as a whole and particularly as it affects the United Kingdom. The share of the United Kingdom in Danish imports rose from 15 per cent. in 1931 to 22 per cent. and 28 per cent. respectively in the past two years. It is an interesting feature of this latter development, characteristic of present day international trade, that it was unquestionably the result of a deliberate policy on the part of Denmark to reciprocate by covering her requirements as far as possible in the United Kingdom.

This policy, which during 1933 found expression in the Anglo-Danish Trade Agreement, but which was effective already in 1932, was by no means confined to the Government. Whether thanks to the facility for common action—of which the Danes have given such shining examples in their various co-operative movements—or because of the general standard of economic enlightenment among the industrial and commercial classes; the idea that she should buy from those that bought from her found a ready echo throughout the country. Such slogans were frequently used on their business stationery by firms selling British goods. Organisations were formed spontaneously for the promotion of United Kingdom trade in Denmark. Chief among these are the British Import Union, an association of agents and importers dealing in British goods, who with official support both from Denmark and Great Britain organised successful exhibitions of British goods in Copenhagen in 1931 and 1932 and maintain an organisation for watching the interests of their members and the United Kingdom firms represented by them; and the Committee for Trade Development of the Danish-British Association, an office organised and supported voluntarily by persons prominent in the commercial and public life of Denmark and devoting its energies with great zeal and ability to the propagation of British trade in Denmark and to the investigation of marketing possibilities for British goods.

Demand for British Goods.

The result of all this concerted action was that United Kingdom goods found an entry into Denmark on a scale which had not been reached in previous years, when British salesmanship had either largely neglected or fought shy of this keenly contested market. If, however, the impetus was artificial, signs are not wanting that the market has now come to know and appreciate British goods and find them competitive on the whole, even apart from quality. Among ultimate consumers, no less than among merchants, demand for British goods is keen, partly as a question of taste and partly as a deliberate policy.

It is true that there have also been criticisms. Danish firms are as a rule punctilious in the conduct of their correspondence, and in return expect prompt replies to their letters and telegrams. Too many cases are heard of enquiries for goods addressed to British firms remaining unanswered for a week or more. These are no doubt exceptions, but they do more harm to trade relations than they merit intrinsically, especially at the inception of business; and it is just as well to remember that Denmark in this respect is a critical market accustomed to a high standard. There have also been cases in which British quotations have been very wide of the mark in competition with the Continent. On the whole it may be said, however, that the new business done between the two countries has been mutually satisfactory in the large majority of cases, and that United Kingdom firms now fully appreciate the value of the market, as shown for instance by the increasing number of British business men visiting Denmark.

Trend of Danish Industry.

It has to be noted, however, that there is a tendency on the part of Danish industry to enter fresh fields with a view of rendering Denmark more and more "self-supporting," a natural policy within reason and one pursued to some extent by all the world at present. Its dangers, if carried too far, are obvious; and no one is more aware of them than the leaders of Denmark's great exporting industries who know full well that an injudicious restriction of imports would very soon lead by repercussion to a curtailment of Danish exports with a lowering of the standard of living as its inevitable result. At present the economic life of Denmark may be rather considerably devoted to the production of high-class agricultural (and a few other) products, and a certain adjustment may be advisable for the purpose of attaining a greater balance of the economic organism. From this, to the throwing away of the present substance of an obvious prosperity for the promised shadow of a supposed economic self-sufficiency is, however, a far cry; and it is not likely that such a gamble will be allowed to jeopordise the future of a country of such enterprise and sound economic vision as Denmark has shown herself to possess.

Imports and the Trade Balance

The import trade of Denmark, no less than that of many other countries, has been conducted during the last two years on abnormal lines. The obligation to obtain import licences for most classes of goods has rendered it necessary for Danish firms to make their foreign purchases in those countries for which they held licences. Failing their ability to obtain these they have been compelled to purchase from Danish manufacturers or to go without. Imports have been permitted only to the extent which the Government considered commensurate with the country's purchasing power, and the result has been a shrinkage of imports of most classes of semi-manufactures or manufactures and an expansion of purchases in the home market.

These restrictions have seriously curtailed the activities of merchants who form a relatively large body and play an unusually important part in Danish economic life. The licence system is therefore extremely unpopular among the trading population, especially so because some lines of goods are harder hit than others. It is perhaps overlooked, however, by those who utterly condemn the regulations that trade, and international trade in particular, has been very drastically reduced in volume even in countries where such restrictions do not exist, and that their sudden removal would not in itself restore trade to its normal volume.

The large adverse visible balance which has in the past been a regular feature of Denmark's foreign trade was reduced in 1932 to 5,400,000 kroner, and even in 1933 rose only to 64 million kr. (Figures in respect of other years are given in Appendix IV to the report.) Total imports fell from 1,465 million kr. in 1931 to 1,142 million kr. in 1932. They increased in 1933 to 1,265 million kr. This incease, however, does not signify that there was a corresponding increase in the total volume of goods imported, as the price index in Danish currency for imported goods rose by about 8 per cent. during the year. Exports aggregated 1,151 million kr., as compared with 1,086 million kr. in 1932. The volume of goods exported was somewhat less in 1933 than in 1932. The price index of exported goods was about 18 per cent. higher, owing principally to the advance in bacon prices. The drop in the Danish rate of exchange, which occurred early in 1933, must not be overlooked in comparing the figures for the two years. Exports of agricultural products are shown in detail in the chapter of the Report devoted to agriculture. In respect of industrial products there was an improvement in the values exported with the exception of ships. There was an improvement in the volume of hides exported, viz., 10,560 tons in 1933 against 9,074 tons in 1932 and 7,946 tons in 1931. There were also satisfactory exports in the vegetable oil industry, and the receipts therefrom showed a slight advance. Exports in the cement industry increased to 236,730 tons in 1933 from 167,433 tons in 1932, and receipts from this source increased by 50 per cent.

The statistics show generally that there has been a large increase in the imports of raw materials, one of moderate dimensions in respect of semi-manufactured goods, and a further pronounced decrease in finished articles. Imports of ready-made clothing of wool have dropped to a third in volume during the last two years, and those of vegetable fibre by over a half. The most remarkable decrease is in respect of leather footwear, which demonstrates the effect of the import restrictions more pronouncedly than any other line; imports fell from 1,090 tons in 1931 to 186 tons in 1933.

Changes in Direction of Trade.

There was considerable change in the volume of imports purchased from a number of countries in the years 1931–33. The values are shown in kroner, and therefore regard must be paid to the fact that Denmark left the gold standard in 1931 and that there was a further devaluation of the krone in January, 1933. Imports from Germany fell roughly by 200 million kr. between 1931 and 1933, while those of Great Britain rose by 136 million kr. Imports from Norway went up by 6 million kr., and those of Sweden fell by 3 million kr. Imports from Russia fell by 13 million kr.; from Poland by 8 million kr.; from Holland by 14 million kr.; from France by 18 million kr.; from the

United States by 77 million kr. Imports from Belgium advanced by 3 million kr.

Exports (including re-exports) in the same years to the United Kingdom fell by 40 million kr.; to Germany by 22 million kr.; to Norway by 38 million kr.; and to Sweden by 28 million kr.

DANISH EXPORTS TO GREAT BRITAIN.

Denmark's total export trade (including re-exports) to the United Kingdom amounted to 775,062,000 kr. in 1933, compared with 724,915,000 kr. in 1932. This improvement was almost wholly due to the increase in the value of bacon exported. The bulk of Denmark's exports consist of bacon, butter and eggs, but she also exports fish, seeds, hides, and some machinery. Exports of hides, skins, leather, etc., increased from 3,600,000 kr. in 1932 to 7,300,000 kr. in 1933. Exports of machinery increased from 1,800,000 kr. to 3,100,000 kr. This item includes such articles as dynamos and motors, dairy machinery, etc.

Denmark exported approximately 67·3 per cent. of her total exports (excluding re-exports) to the United Kingdom. This percentage compares with 67 per cent. in 1932 and is much higher than in any year since 1923, when the percentage was 68·7 per cent.

DANISH IMPORTS FROM GREAT BRITAIN.

Danish imports from the United Kingdom advanced from 255 million kr. in 1932 to 355 million kr. in 1933. In 1931 imports approximated 218,600,000 kr., and in 1930 251 million kr. The United Kingdom's share of Denmark's import trade has therefore advanced considerably in the last two years and amounted to 28·1 per cent. in 1933. It was 22·3 per cent. in 1932, as compared with 14·9 per cent. in 1931 and 14·5 per cent. in 1930. The upward trend which set in in 1932 culminated at the end of that year, and the level then reached was maintained throughout 1933.

Board of Trade Journal.

Street Buyers and Village Merchants.

BY

J. S. PONNIAH, M.A., Dip. Econ.

It is a common sight in the cotton villages to see lads of 18 or 20 with bags slung across their shoulder and held by the left hand, and with a pair of scales hanging from their right hand. They go from house to house in their villages asking for cotton and shelling out a few pieces of copper and the smaller silver tokens to women and children who part with their little stocks of cotton weighing even as little as three tolas. These small lots of cotton (unginned cotton or 'kapas') have been obtained by these sellers as their share of the pickings in the fields in liew of the wages for picking for the day.

The buyers are indeed glad to collect these trifles from house to house, as they

pay out only a smaller price to them as compared with that for larger quantities. The bargain over, the buyers put all the lots, good, bad and indifferent in one and the same bag and resell them in a lump in the bigger shop at the village itself. They merrily pocket the difference between their buying and selling prices. They are immensely satisfied when they have made six to sixteen annas a day. So they grow rich day by day, and if prudent and shrewd, they can one day blossom out as pucca 'cotton merchants'. But what tragic consequences do they cause to the cotton trade in the interval! They are responsible to a very large extent for "mixing" the different grades of cotton and causing a deterioration of the better types of cotton.

But why blame them after all? If they do not do this job, the women and children would market their cotton 'hoards' themselves in the twenty and odd different shops where they do custom. The result is the same. Small lots of cotton are distributed and mixed in twenty different shops in much the same way as in a bag. Somehow the cotton that has been obtained as wages has to be disposed of.

Can this system of paying wages by a 'share' of the pickings be abolished? Until then it is impossible to eliminate the street buyers or cure the evils of 'mixing'. Either there must be a country-wide campaign against this evil or the currency department of the Government of India should issue an abundant supply of copper tokens to satisfy all the needs of small wage payments which now partake the character of primitive barter transactions.

After we have got over [illegible] can) the difficulties caused b[illegible] buyers, we meet with not [illegible] blem in the economics of co[illegible] within the village itself. The [illegible] merchant of the village, is af[illegible] enlarged edition of the s[illegible] too goes from house to hou[illegible] small amounts of cotton, w[illegible] two maunds in most cases and large[illegible] tities only in a few cases. He piles up these different lots to be taken to the nearby cotton ginnery or the interior market once a week. Why does he not purchase larger quantities in each transaction, it may be asked? The answer is simple. The ryot has only a quarter of an acre or half an acre where he grows this 'money' crop. The average ryot has only a small holding. Further, he is very anxious to dispose of each week's pickings then and there for cash to pay for his purchases of grocery or cotton seed (his cattle feed) from the village merchant.

(To be continued)

The Romance of London's Markets

by Collin Brooks

LET me first, not as a matter of formality, but very sincerely, express the sense of honour under which I labour at being here to-night to address your Society. I have on more than one occasion enjoyed your very admirable banquets as your guest and I feel that this is a very poor return for the hospitality which, on previous occasions, you have extended to me.

Having said that, I should like so say equally sincerely that I am appalled that I should stand here holding this piece of paper which purports to be a synopsis of a single lecture instead of that of a three-term course of lectures. I remember with what light-heartedness I prepared that spnopsis but I am afraid I am not going to face it nor live up to it—neither am I going to deliver a formal address.

What I would like to do is to talk to you in quite an informal way and at large about the history and growth of the principal London markets and then look, towards the end of the period, at their possible future. I do not propose, again with your permission, to deal very largely with the techniques of the markets. Those techniques, many of you, I fancy, at a later stage of your professional career, will impinge upon with considerable force. My proposal is therefore to discuss the romantic side of the markets rather than the bare business aspects of them.

A lecture delivered to the Chartered Accountant Students Society of London on the 21st February 1934.

It seems to me that very few people ask the elementary question, which has always intrigued me, as to how this trade grew and what is the connection between the growth of a community and the growth of that community's trade. Those of you who, like myself, have cut your teeth on this subject will remember that Mr. Bagehot in his "Lombard Street" makes a very severe attack upon persons who rely upon what he calls "conjectural history." In endeavouring to explore the origin of trade and the origin of communities, we are more or less forced back upon bare conjecture; there are records and fairly extensive records, but the real origins are matters that have never been scientifically recorded.

I should like to remind you that the origin of London, or the origin of a City like London, was usually dictated by three primary considerations—that it had water, both in the sense of drinking water and for easy passage from one part to another, that it was defensible, or that for some reason it had to be defended. The force of the first factor is apparent. Where you have a nomadic people settling down on a given spot, or where you have an army on the march settling down for a time, the immediate need for water was vital. There is a distinction between the other two factors. Obviously people who settled down on the banks of a river like the Thames did so because they were secure, because the place

The Romance of London's Markets

by Collin Brooks

LET me first, not as a matter of formality, but very sincerely, express the sense of honour under which I labour at being here to-night to address your Society. I have on more than one occasion enjoyed your very admirable banquets as your guest and I feel that this is a very poor return for the hospitality which, on previous occasions, you have extended to me.

Having said that, I should like so say equally sincerely that I am appalled that I should stand here holding this piece of paper which purports to be a synopsis of a single lecture instead of that of a three-term course of lectures. I remember with what light-heartedness I prepared that spnopsis but I am afraid I am not going to face it nor live up to it—neither am I going to deliver a formal address.

What I would like to do is to talk to you in quite an informal way and at large about the history and growth of the principal London markets and then look, towards the end of the period, at their possible future. I do not propose, again with your permission, to deal very largely with the techniques of the markets. Those techniques, many of you, I fancy, at a later stage of your professional career, will impinge upon with considerable force. My proposal is therefore to discuss the romantic side of the markets rather than the bare business aspects of them.

A lecture delivered to the Chartered Accountant Students Society of London on the 21st February 1934.

It seems to me that very few people ask the elementary question, which has always intrigued me, as to how this trade grew and what is the connection between the growth of a community and the growth of that community's trade. Those of you who, like myself, have cut your teeth on this subject will remember that Mr. Bagehot in his "Lombard Street" makes a very severe attack upon persons who rely upon what he calls "conjectural history." In endeavouring to explore the origin of trade and the origin of communities, we are more or less forced back upon bare conjecture; there are records and fairly extensive records, but the real origins are matters that have never been scientifically recorded.

I should like to remind you that the origin of London, or the origin of a City like London, was usually dictated by three primary considerations—that it had water, both in the sense of drinking water and for easy passage from one part to another, that it was defensible, or that for some reason it had to be defended. The force of the first factor is apparent. Where you have a nomadic people settling down on a given spot, or where you have an army on the march settling down for a time, the immediate need for water was vital. There is a distinction between the other two factors. Obviously people who settled down on the banks of a river like the Thames did so because they were secure, because the place

The Romance of London's Markets

by Collin Brooks

LET me first, not as a matter of formality, but very sincerely, express the sense of honour under which I labour at being here to-night to address your Society. I have on more than one occasion enjoyed your very admirable banquets as your guest and I feel that this is a very poor return for the hospitality which, on previous occasions, you have extended to me.

Having said that, I should like so say equally sincerely that I am appalled that I should stand here holding this piece of paper which purports to be a synopsis of a single lecture instead of that of a three-term course of lectures. I remember with what light-heartedness I prepared that spnopsis but I am afraid I am not going to face it nor live up to it—neither am I going to deliver a formal address.

What I would like to do is to talk to you in quite an informal way and at large about the history and growth of the principal London markets and then look, towards the end of the period, at their possible future. I do not propose, again with your permission, to deal very largely with the techniques of the markets. Those techniques, many of you, I fancy, at a later stage of your professional career, will impinge upon with considerable force. My proposal is therefore to discuss the romantic side of the markets rather than the bare business aspects of them.

A lecture delivered to the Chartered Accountant Students Society of London on the 21st February 1934.

It seems to me that very few people ask the elementary question, which has always intrigued me, as to how this trade grew and what is the connection between the growth of a community and the growth of that community's trade. Those of you who, like myself, have cut your teeth on this subject will remember that Mr. Bagehot in his "Lombard Street" makes a very severe attack upon persons who rely upon what he calls "conjectural history." In endeavouring to explore the origin of trade and the origin of communities, we are more or less forced back upon bare conjecture; there are records and fairly extensive records, but the real origins are matters that have never been scientifically recorded.

I should like to remind you that the origin of London, or the origin of a City like London, was usually dictated by three primary considerations—that it had water, both in the sense of drinking water and for easy passage from one part to another, that it was defensible, or that for some reason it had to be defended. The force of the first factor is apparent. Where you have a nomadic people settling down on a given spot, or where you have an army on the march settling down for a time, the immediate need for water was vital. There is a distinction between the other two factors. Obviously people who settled down on the banks of a river like the Thames did so because they were secure, because the place

was defensible. In some cases they settled in places where the defence was a matter of some difficulty and then there must have been some strategic reason for doing so, and for the occupation of a place like that—either it was a key position to the rest of the country, or it was a holy place. When the Romans came to London they found that there was already a fairly considerable settlement of human beings living a fairly well organised communal life. The incoming of the Roman legions brought with it a wave of civilisation, which implied a tremendous spurt to the trading life of that community. Those of you who have been down to the Guildhall museum must have been amazed by the range of commodities, particularly luxury commodities, which the Romans left behind them, ranging from footwear to manicure sets, ear picks, and beautiful little adornments. There is in the museum a toga pin with a 2½ inch head, moulded in the perfect form of a small baby, most likely given to a legionary before he left for Britain, probably by his wife. These people had acquired a technique of living which demanded a certain measure of luxury in addition to essentials.

The next step was obvious, when the Roman community was added to the previous community and when the Roman life began to take shape and you had this general measure of civilisation being consolidated, living conditions were improved, and the people would come in from other areas to supply the goods which the community needed. They could not supply the goods without two other things following. I am sorry to be so elementary. One of the things which would follow would be the need for money changers of some kind or another. There was actually a Roman mint established in London. Then there would be the people who came down to take away the goods of the community itself and the ordinary treble process of trade would be begun.

Tacitus, by the way, quite interestingly mentions London as being a place much frequented by merchants, even in its earlier stages, and describes it as a flourishing centre of trade. The Romans did not stay very long in London as the history of a nation marches. When they went there was still a continuance of the trading life of the capital. So much so that when William the Conqueror came "in 1066 and all that" he very shortly gave to London probably the most important charter in its history. I have forgotten the exact terms, but it began something like this:—"William, King, greets William, Bishop, and Gosfregdh, Portreeve, and all the burgesses within London, French and English, friendly. And I give you to know that I will that ye be all those laws worthy that ye were in King Edward's day. And I will that every child be his father's heir after his father's day, and I will not suffer that any man offer you any wrong God help you." In other words, William did two things: he recognised the semi-autonomy of that community of traders and offered the protection of the Crown to the traders on their lawful occasions.

The progress of the City of London from the Norman to the Tudor times was

fairly consistent with one extremely lucky break in the circumstances, and that lucky break was the fact that Richard the First went crusading. There is no question, I think, that the distraction which the Crusades had on the King enhanced the powers of government which were conferred upon the Lord Mayor, Sheriffs and Burgesses of the City of London. When you have all those circumstances through the centuries combining, you get a centre of trade which cannot resist its own growth. You have the geographical factor that the site has been chosen because it is a key to the country; you can go North by the West or the East route, on either side of the Pennines; it has water; it is defensible, and in the centre you have an autonomous body for a day-to-day life; it is almost free from incessant State interference, and what little State interference there is, there is a tendency to resist.

When we come to the Tudor period there came into our history a man whom I regard personally as being the greatest man in the history of London—I sometimes think perhaps he was one of the greatest men in the history of Europe. That man was Gresham—Sir Thomas Gresham, who I am sure was one of the most romantic characters of his period. You have all seen the Golden Grasshopper which adorns Martins Bank in Lombard Street and the Royal Exchange. There is a legend that this grass hopper was adopted by Gresham as his sign because as a foundling babe he had had his life saved by the chirping of a grasshopper, but I am afraid that is far from the truth, because he was not a foundling and the grasshopper had been the family crest long before Gresham himself was born. In Gresham arose one of the most typical merchant bankers of that time. He did a great traffic with the Continent of Europe, with certain of the Low Countries in particular, and he did an enormous business for the King, both in the way of trade and finance. When he came back to London he found there in the streets a picturesque conglomeration of traders. Old Jewry, which had been the early centre of the money changers, had lost its force, and Lombard Street had acquired the position. He found that London consisted of a collection of typical Tudor streets, in which men did their business, and there was much chaffering and loitering about in public thoroughfares. That is an interesting point. People now look upon a street as a passage-way which leads from one place to another, but in those days a street, an ordinary street, was much more like Throgmorton Street today; it was not so much a passage-way as a place in which to loiter, and for many years the inconveniences of trading in these open streets had stirred up in men's minds the idea of covering up the respective thoroughfares.

Nothing was done, however, until Gresham, in a fit of grief for his son, decided to build an exchange at his own expense if the site was bought by subscriptions. The site was where the building still stands, and cost the extraordinary sum of £3,532 17s. 2d.—I am not certain of the exact figures, but it was under £4,000—and in due course there arose the first Royal Exchange of was defensible. In some cases they settled in places where the defence was a matter of some difficulty and then there must have been some strategic reason for doing so, and for the occupation of a place like that—either it was a key position to the rest of the country, or it was a holy place. When the Romans came to London they found that there was already a fairly considerable settlement of human beings living a fairly well organised communal life. The incoming of the Roman legions brought with it a wave of civilisation, which implied a tremendous spurt to the trading life of that community. Those of you who have been down to the Guildhall museum must have been amazed by the range of commodities, particularly luxury commodities, which the Romans left behind them, ranging from footwear to manicure sets, ear picks, and beautiful little adornments. There is in the museum a toga pin with a 2½ inch head, moulded in the perfect form of a small baby, most likely given to a legionary before he left for Britain, probably by his wife. These people had acquired a technique of living which demanded a certain measure of luxury in addition to essentials.

The next step was obvious, when the Roman community was added to the previous community and when the Roman life began to take shape and you had this general measure of civilisation being consolidated, living conditions were improved, and the people would come in from other areas to supply the goods which the community needed. They could not supply the goods without two other things following. I am sorry to be so elementary. One of the things which would follow would be the need for money changers of some kind or another. There was actually a Roman mint established in London. Then there would be the people who came down to take away the goods of the community itself and the ordinary treble process of trade would be begun.

Tacitus, by the way, quite interestingly mentions London as being a place much frequented by merchants, even in its earlier stages, and describes it as a flourishing centre of trade. The Romans did not stay very long in London as the history of a nation marches. When they went there was still a continuance of the trading life of the capital. So much so that when William the Conqueror came "in 1066 and all that" he very shortly gave to London probably the most important charter in its history. I have forgotten the exact terms, but it began something like this:—"William, King, greets William, Bishop, and Gosfregdh, Portreeve, and all the burgesses within London, French and English, friendly. And I give you to know that I will that ye be all those laws worthy that ye were in King Edward's day. And I will that every child be his father's heir after his father's day, and I will not suffer that any man offer you any wrong. God help you." In other words, William did two things: he recognised the semi-autonomy of that community of traders and offered the protection of the Crown to the traders on their lawful occasions.

The progress of the City of London from the Norman to the Tudor times was fairly consistent with one extremely lucky break in the circumstances, and that lucky break was the fact that Richard the First went crusading. There is no question, I think, that the distraction which the Crusades had on the King enhanced the powers of government which were conferred upon the Lord Mayor, Sheriffs and Burgesses of the City of London. When you have all those circumstances through the centuries combining, you get a centre of trade which cannot resist its own growth. You have the geographical factor that the site has been chosen because it is a key to the country; you can go North by the West or the East route, on either side of the Pennines; it has water; it is defensible, and in the centre you have an autonomous body for a day-to-day life; it is almost free from incessant State interference, and what little State interference there is, there is a tendency to resist.

When we come to the Tudor period there came into our history a man whom I regard personally as being the greatest man in the history of London—I sometimes think perhaps he was one of the greatest men in the history of Europe. That man was Gresham—Sir Thomas Gresham, who I am sure was one of the most romantic characters of his period. You have all seen the Golden Grasshopper which adorns Martins Bank in Lombard Street and the Royal Exchange. There is a legend that this grasshopper was adopted by Gresham as his sign because as a foundling babe he had had his life saved by the chirping of a grasshopper, but I am afraid that is far from the truth, because he was not a foundling and the grasshopper had been the family crest long before Gresham himself was born. In Gresham arose one of the most typical merchant bankers of that time. He did a great traffic with the Continent of Europe, with certain of the Low Countries in particular, and he did an enormous business for the King, both in the way of trade and finance. When he came back to London he found there in the streets a picturesque conglomeration of traders. Old Jewry, which had been the early centre of the money changers, had lost its force, and Lombard Street had acquired the position. He found that London consisted of a collection of typical Tudor streets, in which men did their business, and there was much chaffering and loitering about in public thoroughfares. That is an interesting point. People now look upon a street as a passage-way which leads from one place to another, but in those days a street, an ordinary street, was much more like Throgmorton Street today; it was not so much a passage-way as a place in which to loiter, and for many years the inconveniences of trading in these open streets had stirred up in men's minds the idea of covering up the respective thoroughfares.

Nothing was done, however, until Gresham, in a fit of grief for his son, decided to build an exchange at his own expense if the site was bought by subscriptions. The site was where the building still stands, and cost the extraordinary sum of £ 3,532 17s. 2d.—I am not certain of the exact figures, but it was under £ 4,000—and in due course there arose the first Royal Exchange of

London. It was called the new "burse"—not "bourse." Gresham was an astute business man, who to-day would probably be in partnership with Sir Charles Higham. He recognised the immense publicity for the new project if he could persuade the Queen to visit it in some sort of state. The original Royal Exchange, as you probably know, was build over piazzas, supported by marble pillars, and on its first floor had a series of covered walks. These walks contained 100 little booths or shops and were at first known as "The Pawn." When Gresham invited Elizabeth to visit this wonderful new building, he discovered that the 100 little shops had not been let, which annoyed him on two grounds; one ground was that the original motive of grief had slightly changed with the passage of time—he had the motive of letting the shops with the idea of getting back some of the cost of the building; and the second was that he would have looked singularly foolish when the Queen came if the new burse was neglected by the traders. So he bribed a number of tenants to take these places of business both by low rents and the provision of free candles. Well, the Queen visited the burse and conferred upon the building the title "Royal Exchange," and for many years the Royal Exchange continued to flourish as the dominating centre of London's trade. It eventually came to the evil end that met practically the whole of the City—it perished in the Great Fire—while before the Fire it had been badly hit by the Plague. One of the evils in connection with it was that the citizens in the surrounding portions of London had to protest against the behaviour of persons using the Exchange—rogues, rat catchers, and dog sellers, and lovers, who frequented the gates and made the day and the night hideous with their cat calls and shouting—but the protest went by the board and the building remained until the Fire.

Before I leave that first Exchange, there is one other point which seems to me of some interest. The hours of business were twelve noon and six in the evening. The habit in those days was obviously to rise with the light and go to bed with the darkness. Artificial illumination was not good, and one assumes the working day began quite early in the morning, and that the hour of 12 o'clock was a desirable one for holding a market. I imagine they got through the details of their own business in the morning before going to the market to make their bargains. I think one of the reasons was that they enjoyed a late siesta, following the continental custom of not working in the heat of the sun, and so their day would finish. The 6 o'clock meeting seems to me rather strange. My own opinion is this—probably there was a system whereby bargains half made in the morning were completed and ratified at the second meeting at 6 o'clock, and by that time the country post-horses were in.

Following the Great Fire, an Exchange had become so essential to the trading life of London and the country that the Royal Exchange was quickly rebuilt. The new Royal Exchange was built on a very similar plan, and the feature, as you know, was the

presence in it of covered walks, and those covered walks took their names from the type of business which was conducted in them. It is an interesting parallel to find the Stock Exchange to this day segregated into smaller markets. It is true that the Stock Exchange has no physical barriers between, say, the Kaffir market, and the Jungle, but you have the segregation just the same. In the covered walks the segregation was complete. One of these covered walks was occupied by the stock-jobbers, and was known as "Brokers Walk" or "Stocks Walk." No doubt the influx of speculators and the noise of the stockjobbers drove those in the neighbouring Italian and Jamaica walks to distraction. Those people who were trying to do straight-forward commodity business found their business was impeded by the noise from the stockjobbers, and the consequence was that the stockjobbers were asked to leave. They left, and incidentally returned to their old habits of several generations before of trading in the open street in Change Alley, which was then known as "Exchange Alley." It was then very different from the Change Alley which we know now; it actually had open spaces, which made it convenient, and it had several coffee houses, two of which became very famous.

One of these, known as Garraway's, was, by the way, the first place to sell tea, and the other was Jonathan's. About these two coffee houses the stockjobbers began to pursue their trading life after having been ejected from the Royal Exchange. In a little while, the need for a definite cohesive system and some definite regulation of business made itself felt, and after the old coffee house had been burnt down and the new Jonathan's had been founded, there was a definite committee formed and there was from that committee an order that the title "The Stock Exchange" should be "wrote" over the door, and I have no doubt the title was duly "wrote" over the door. That was the beginning of the London Stock Market, the first of the children of the old Royal Exchange to split away.

About the time of that ejection of the stockjobbers, you had in the City of London, incidentally, the creation of the Bank of England. I say incidentally because the Bank of England was not created in furtherance of State trade, but because the Crown wanted money and certain astute people, including Mr. Paterson, devised a way whereby money could be raised in return for certain privileges. It was a typical English Act, because in the title there was no mention of the word "Bank." By means of a cleverly worded Act of Parliament the Bank was formed, and the Bill came in as "an Act for granting to their Majesties several rates and duties upon tunnages for ships and vessels and upon beer, ale, and other liquors." Out of that Act grew the Bank of England. Talking of strong liquor, I might mention that these early coffee houses not only served as headquarters for the exchange, but sold both strong liquors and patent medicines, a combination which reflects the astute trading minds which the owners must have had.

London. It was called the new "burse"—not "bourse." Gresham was an astute business man, who to-day would probably be in partnership with Sir Charles Higham. He recognised the immense publicity for the new project if he could persuade the Queen to visit it in some sort of state. The original Royal Exchange, as you probably know, was build over piazzas, supported by marble pillars, and on its first floor had a series of covered walks. These walks contained 100 little booths or shops and were at first known as "The Pawn." When Gresham invited Elizabeth to visit this wonderful new building, he discovered that the 100 little shops had not been let, which annoyed him on two grounds; one ground was that the original motive of grief had slightly changed with the passage of time—he had the motive of letting the shops with the idea of getting back some of the cost of the building; and the second was that he would have looked singularly foolish when the Queen came if the new burse was neglected by the traders. So he bribed a number of tenants to take these places of business both by low rents and the provision of free candles. Well, the Queen visited the burse and conferred upon the building the title "Royal Exchange," and for many years the Royal Exchange continued to flourish as the dominating centre of London's trade. It eventually came to the evil end that met practically the whole of the City—it perished in the Great Fire—while before the Fire it had been badly hit by the Plague. One of the evils in connection with it was that the citizens in the surrounding portions of London had to protest against the behaviour of persons using the Exchange—rogues, rat catchers, and dog sellers, and lovers, who frequented the gates and made the day and the night hideous with their cat calls and shouting—but the protest went by the board and the building remained until the Fire.

Before I leave that first Exchange, there is one other point which seems to me of some interest. The hours of business were twelve noon and six in the evening. The habit in those days was obviously to rise with the light and go to bed with the darkness. Artificial illumination was not good, and one assumes the working day began quite early in the morning, and that the hour of 12 o'clock was a desirable one for holding a market. I imagine they got through the details of their own business in the morning before going to the market to make their bargains. I think one of the reasons was that they enjoyed a late siesta, following the continental custom of not working in the heat of the sun, and so their day would finish. The 6 o'clock meeting seems to me rather strange. My own opinion is this—probably there was a system whereby bargains half made in the morning were completed and ratified at the second meeting at 6 o'clock, and by that time the country post-horses were in.

Following the Great Fire, an Exchange had become so essential to the trading life of London and the country that the Royal Exchange was quickly rebuilt. The new Royal Exchange was built on a very similar plan, and the feature, as you know, was the presence in it of covered walks, and those covered walks took their names from the type of business which was conducted in them. It is an interesting parallel to find the Stock Exchange to this day segregated into smaller markets. It is true that the Stock Exchange has no physical barriers between, say, the Kaffir market, and the Jungle, but you have the segregation just the same. In the covered walks the segregation was complete. One of these covered walks was occupied by the stock-jobbers, and was known as "Brokers Walk" or "Stocks Walk." No doubt the influx of speculators and the noise of the stockjobbers drove those in the neighbouring Italian and Jamaica walks to distraction. Those people who were trying to do straight-forward commodity business found their business was impeded by the noise from the stockjobbers, and the consequence was that the stockjobbers were asked to leave. They left, and incidentally returned to their old habits of several generations before of trading in the open street in Change Alley, which was then known as "Exchange Alley." It was then very different from the Change Alley which we know now; it actually had open spaces, which made it convenient, and it had several coffee houses, two of which became very famous.

One of these, known as Garraway's, was, by the way, the first place to sell tea, and the other was Jonathan's. About these two coffee houses the stockjobbers began to pursue their trading life after having been ejected from the Royal Exchange. In a little while, the need for a definite cohesive system and some definite regulation of business made itself felt, and after the old coffee house had been burnt down and the new Jonathan's had been founded, there was a definite committee formed and there was from that committee an order that the title "The Stock Exchange" should be "wrote" over the door, and I have no doubt the title was duly "wrote" over the door. That was the beginning of the London Stock Market, the first of the children of the old Royal Exchange to split away.

About the time of that ejection of the stockjobbers, you had in the City of London, incidentally, the creation of the Bank of England. I say incidentally because the Bank of England was not created in furtherance of State trade, but because the Crown wanted money and certain astute people, including Mr. Paterson, devised a way whereby money could be raised in return for certain privileges. It was a typical English Act, because in the title there was no mention of the word "Bank." By means of a cleverly worded Act of Parliament the Bank was formed, and the Bill came in as "an Act for granting to their Majesties several rates and duties upon tunnages for ships and vessels and upon beer, ale, and other liquors." Out of that Act grew the Bank of England. Talking of strong liquor, I might mention that these early coffee houses not only served as headquarters for the exchange, but sold both strong liquors and patent medicines, a combination which reflects the astute trading minds which the owners must have had.

The creation of the Bank of England was important to London trade because it did give a definite focal point for the traffic in money. It served the Royal Exchange and the ordinary business of the City, and it eventually brought into the midst of the traders a power upon which they could rely for support in times of stress, and also a power on which they could rely to prevent them from exceeding the total capacity of the community in making their commitments.

The stockjobbers were safely away from the Royal Exchange, but while the coffee houses were still in their hey-day, another remarkable coffee house entered into history. It was owned by Thomas Lloyd—a Welshman—and was a coffee house in Great Tower Street. It was frequented by those who went down to the sea in ships and those who did not go down to the sea in ships but had some sort of financial interest in ships. It occurred to this astute gentleman that the financial side of his clientele was much the more interesting, and he moved his quarters from Great Tower Street and founded Lloyd's Coffee House, in which was the grand parent of Lloyd's which you know in Leadenhall Street. But for a strange circumstance, it might have been the parent of Lloyd's but it was not. It flourished for a time, and then came a row amongst its ***habitue's*** and the protestants persuaded one of the waiters to start a rival coffee house, which was founded and known as "New Lloyd's." Lloyd's as we know it to-day takes a direct line of descent from that and not from the original Lloyd's. The original Lloyd's produced a news sheet which gave a vast amount of news about the shipping movements of the nation, and when the new Lloyd's was formed the news sheet was reproduced under the now familar title of "Lloyd's List," and under that title it is known to the present day as one of the essential servitors of modern marine insurance.

Just as Lloyd's coffee house had come to rely upon marine insurance, so other coffee houses were attracting some attention to themselves, and amongst them were the Virginia and Maryland and the Jerusalem. At the Viginia and Maryland they dealt chiefly with the Baltic ocean, and eventually became known as the "Baltic." These coffee houses were reserved specially for insurers who did business on the one hand across the Western ocean and on the other hand with the Balkan States. They in due course repeated the experience of the stockjobbers and found that these coffee houses, as coffee houses, were not adequate for their needs and did not provide enough control, and they, too, eventually sought homes of their own. By a lucky chance the leases of the two homes expired together, and this led to the creation of the London Shipping Exchange, known as the "Baltic," which has now moved to its palatial home in St. Mary Axe.

The most romantic side of that part of history, I think, is this. That the Stock Exchange, Lloyd's. and the Baltic have all kept essentially to their coffee house origin.

I do not know many of you have been into Lloyd's; it is a most interesting experience; you go through an imposing portico and through a noble corridor and you are brought to a stand at a desk like a miniature pulpit, in which sits a man who is still known as a "waiter." He is a very impressive person; he smiles at you. You say you want to speak to Mr. So-and-so; he smiles at you again and that is all the notice he appears to take of you. Eventually, after a few moments, you discover that he has written your name on a telewriter, and that his pencil has automatically placed your name before the eyes of the other waiters and before the eyes of the crier who sits in a rostrum in the middle of the insuring floor. The crier calls for the wanted member into a microphone, which relays the call to all the corners of the great room. The attendant is still called a waiter in the same way as the attendants at the Stock Exchange are called waiters, and he sits there in a kind of box which might have been occupied by the teller in one of the old coffee houses.

On entering the room where the insurance business is done, you find three-quarters of the huge room occupied by desks which are palpably coffee house tables, and at those desks sit the underwriters of the various Lloyd's syndicates who undertake our marine insurance business. If I may digress at this point I would like to give you a little description of Lloyd's. You have a big room divided in the form of a cross by two broad gangways. In the centre of one is a lectern on which is a huge book. In the book on the lectern are entered the various casualties—ships which have been reported missing. The procedure of Lloyd's in doing business is what it was years ago.

You instruct a broker, tell him your requirements and the ship, and he goes to the room for an underwriter who is willing to underwrite the risk. If he cannot find a single underwriter ready to take the whole risk, he moves about the floor until the total risk is covered; each underwriter initials the slip, it then goes into the "Signing Bureau" and the policy is eventually made out. The method of business has not changed at all. What has changed, of course, is that the policy which you get to-day is a policy which embodies many generations of experience, and which has taken a form recognised by the law. That there were many disputes that troubled Edward Lloyd there is no doubt. In the old days of the coffee houses these disputes were referred to the Elders, but now any disputes are settled by a definite committee properly elected and authorised.

The same thing applies to the exchange business of the Baltic. The Baltic deals with very wide business in connection with ships, oils, corn, tallow, beans, and, in fact, everything which makes a ship's cargo. There, also, the broker comes to the floor of the Exchange and searches about until his requirements are met, and a formal contract is then drawn up.

Now let us turn from those coffee houses to two exchanges which began in the inn, tavern, or pub. The old corn trade was not only one of the earliest, but one of the most important of the City's trading streams The corn came chiefly from Kent and Essex and from other counties further flung. The principal corn ports were Queenhithe and Billingsgate, and the chief markets were Cornhill and Michael le Quern at the west end of Cheapside, while the corn mills were mainly at London Bridge. The procedure was very simple. The farmer grew the corn, threshed it and carried it to the market or mill, where a straight forward sale was made.

Quite by chance, as far as I can gather, three or four farmers fell into the habit before they left for home of calling in for a quick one, and left samples of corn with the landlord on the understanding that if he sold any he could draw a commission, and from that quite accidental act grew the profession of the corn factor. This arrangement saved the farmer the trouble and expense of attending the weekly market. The landlord, no doubt, found it was profitable to sell corn and probably found it paid him even to employ people to take samples out and sell them. Chaffering for corn took place around about two inns, and the old story was repeated. The pressure of dealers, particularly when you had the repeal of the Corn Laws, was such that presently they overcrowded the inns and the neighbouring street, and so there were founded two separate corn exchanges, and these two separate corn exchanges existed until 12 or 18 months ago, when they were welded into one. Again, very characteristically of London and England, you had the Old Corn Exchange and the New Corn Exchange standing side by side. The old corn exchange was rehoused so that for many years the New Exchange was the Old Exchange and the Old Exchange was the New Exchange. The two exchanges were separate entities until recently, which was all to the good, and it is rather sad to find that one of the factors which killed the existence of the separate exchanges was the rise of the internal combustion engine which diminished the sale of oats.

It is estimated that the turnover in oats dropped £ 800,000 a year in a very short period of time, and a whole section of that market was wiped out by the wide use of motor transport. Until the beginning of this year anybody could walk in and the floors were open to the public, but now you have to be a member before you can enter the Exchange, but, of course, any interested visitor, I have no doubt, could visit the floor by permission of the secretary.

When you enter the Exchange you find a very different building from the Stock Exchange or Lloyd's or the Baltic. There you have a room surrounded by small showcases and filled with a number of small tables. If you go on a busy day you find apparently sensible men dribling corn through their fingers and it is on the way the corn dribbles through the fingers and on eyesight, that the grain is bought and sold. The transaction is purely one of private treaty. A buys from B., and the committee is not troubled unless something goes radically wrong.

This exchange is simply to give a home to the corn trade and see the business is conducted in an orderly and decent fashion. Another trivial but interesting thing about that exchange is that a good deal of the grain undoubtedly goes to brew malt liquor. It is really part of the organisation that makes English beer, and the basement is one vast wine cellar. While they are selling the corn for the barley brew on top, underneath —quite a private concern—is a vast wine storage. Corn is also sold on the Baltic, as that exchange deals with a great corn growing country and you could not expect them to divorce the cargo from the ship. They naturally want to do the whole business at the same time and place.

Quite a different type of exchange is found in the Wool Exchange. Wool is about, I suppose, the oldest of England's staple commodities. The whole fabric of the relationship between king and country has been dominated by that commodity. You have had export of wool forbidden; you have had stabilisation and control of price and quality and, throughout the whole of social history, it has been a dominating factor in national life. The Wool Exchange never really became an essential market until England long ceased to matter as a wool-producing country. The wool now sold on the Exchange comes from overseas. There the technique is highly individual. On certain mornings if you go at a particular time to the station at Moorgate, you will see gentlemen emerging clad in long white coats like criket umpires. These are the experts of the buying brokers going down to the ware-houses to examine the wool samples, which are stacked on shelves all round. Each one of them carries in his hand the broker's catalogue which gives all the particulars of the quantities, marks and location of each lot, with some indication of the weight. When they have examined the wool and formed some idea as to its value, they return to the Wool Exchange in Coleman Street. When a visitor enters the Exchange he is confronted with a big room, which is like a lecture theatre, there being a sunken well surrounded by tiers of seats, facing a triple seated rostrum in the centre. At about 2.45 on the day of the sale that room usually contains a motley crowd of people and their behaviour is similar to that of the crowd that comes down for the Cup Tie. *(To be continued.)*

with great advantage, be established at all our great universities."

If in such a country as England, where there are more than 30,000 qualified accountants, the scope for accountancy is such as is expressed above, we think in India, where the number of qualified accountants can be counted in fingers' ends, the scope is unlimited. Our Indian Universities that have not yet instituted a Degree in Commerce will be well advised to pay heed to the views expressed above by a well-known authority in Accountancy.

——o——

Fort St. George, April 18, 1934

No. 60.— Under existing orders of Government the possession of a Secondary School-Leaving Certificate with a certain prescribed percentage of marks obtained at the Public Examination in the subjects in Group A and some of the subjects in Group C of the course is the minimum standard of general education requisite for appointment to certain posts under the Government. On and from the 18th April 1934 the Government have been pleased to recognize the following additional subjects included in Group C of the Secondary School-Leaving Certificate course as qualification for appointment to the posts specified against them:—

Physiology—Any post for which the prescribed minimum standard of general education is essential.

Agriculture—The posts of upper subordinates, supervisors and Sanitary Inspectors in the Agricultural department.

Commercial Practice, Book-keeping, English Shorthand and Type-writing. — Posts of clerks and typists.

News & Views.

Scope of the Accountancy Profession. Mr. P. D. Leake, Chartered Accountant of London, while supporting the motion of the President of the Institute of Chartered Accountants, London, for the adoption of the Institute's Annual Report and Accounts said:

"I believe there is no profession (meaning Accountancy) at the present which offers better prospects of advance to a capable man than the Accountancy profession. The opportunities for its useful development seem almost boundless, and it is doubtful whether this fact is yet adequately appreciated. The science of accounting is still in its infancy. It may be described as the science of equity, and it must become one of the most important social sciences. Moreover, it is ripe for much further useful development, and will well repay regular and systematic study. A sound and thorough knowledge of the principles of accounting science would be of great value to a wide circle of students outside the profession of accounting, and for this reason, I should like again to suggest that faculties to be called chairs of accounting devoted solely to the study and development of the science of accounting—which in its wide sense includes political economy, commerce, mathematics, finance and statistics—might, with great advantage, be established at all our great universities."

If in such a country as England, where there are more than 30,000 qualified accountants, the scope for accountancy is such as is expressed above, we think in India, where the number of qualified accountants can be counted in fingers' ends, the scope is unlimited. Our Indian Universities that have not yet instituted a Degree in Commerce will be well advised to pay heed to the views expressed above by a well-known authority in Accountancy.

—o—

Fort St. George, April 18, 1934

No. 60.— Under existing orders of Government the possession of a Secondary School-Leaving Certificate with a certain prescribed percentage of marks obtained at the Public Examination in the subjects in Group A and some of the subjects in Group C of the course is the minimum standard of general education requisite for appointment to certain posts under the Government. On and from the 18th April 1934 the Government have been pleased to recognize the following additional subjects included in Group C of the Secondary School-Leaving Certificate course as qualification for appointment to the posts specified against them:—

Physiology—Any post for which the prescribed minimum standard of general education is essential.

Agriculture—The posts of upper subordinates, supervisors and Sanitary Inspectors in the Agricultural department.

Commercial Practice, Book-keeping, English Shorthand and Typewriting.	Posts of clerks and typists.

———

Edited and Published by Mr. T. Kalyanasundram, D. Com., F.R. Econ. S. (Lond.)
267, West Masi Street, Madura, (S. India) and printed on behalf of the publisher at
The Harisamaya Divakaram Press, No. 3. Manjanakara Street, Madura, (S. India.)